

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on July 28, 2011 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

*The following **Authority Members** were in attendance:*

Gus Escher, Public Member (Chairing); William Conroy, Designee of the Commissioner of Health and Senior Services; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Robert Bollaro, Designee of the Commissioner of Human Services; Dr. Munn Kazmir, Public Member; Ulysses Lee, Public Member (via telephone) and Suzette Rodriguez, Public Member (via telephone).

*The following **Authority staff members** were in attendance:*

Mark Hopkins, Lou George, Steve Fillebrown, Ron Marmelstein, Suzanne Walton, Michael Ittleson, Linda Hughes, Bill McLaughlin, Carole Conover, Bernie Miller, Marji McAvoy, Jessica Waite-Lucas, Archie King, Edwin Fuentes and Christopher Kulick.

*The following **representatives from the State and/or the public** were in attendance:*

Clifford Rones, Deputy Attorney General; Brandon Minde, Evan Kirsch, Governor's Authorities Unit; Ryan Feeney, NJ Office of Public Finance; Tom Scott, Saint Barnabas Health Care System; Gerry Lowe, Bob Osler, Virtua Health; George Crimmins, Eric Kurta, HMHA; Andy Aronson, Lynn Besancon, Gluck Walrath; Perry Manderino, PriceWaterhouse Coopers; Tony Orlando, Jim Stanton, Englewood Hospital and Medical Center; Richard Nolan, Scott Kobler, McCarter & English; Maryann Kicenuik, Windels Marx; Ryan Kennedy, Joe Lemaire, Holy Name Medical Center; Chris McCann, Charles Lee, JP Morgan; David Kostinas, DICA; Kristin DiSandro, JNESCO.

CALL TO ORDER

Vice-Chairman Gus Escher called the meeting to order at 10:02 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 26, 2011 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

1. APPROVAL OF MINUTES

June 23, 2011 Authority Meeting

Minutes from the Authority's June 23, 2011 meeting were presented for approval. Mr. Lee offered a motion to approve the minutes; Mr. Bollaro seconded. Mr. Conroy, Mr. Bollaro, Ms. Rodriguez, Mr. Lee and Dr. Kazmir voted yes. Mr. Escher abstained (Ms. Kralik had not yet joined the meeting and was therefore unable to vote.).

2. BOND SALE REPORT

Saint Peter's University Hospital

Mr. Lou George reported to Members that the Authority signed a purchase contract with Goldman Sachs for the sale of \$100,640,000 of bonds on behalf of Saint Peter's University Hospital on July 22, 2011. He reminded Members that the Hospital initially received a contingent bond approval last October then the market went away from them and they subsequently returned to the Members for re-approval last month. The hospital is rated Baa3 and BBB- by Moody's and Standard & Poor's respectively, with a negative outlook from Moody's. This is the lowest investment grade rating. As a result, this was more of an institutional type of transaction. But because of the lower credit rating, many of the well-known institutional bond funds declined the credit.

A pre-pricing call was held on Thursday afternoon, July 21st with Goldman Sachs and the other co-managers. At that time Goldman suggested that the priority of orders be established as: net designated, retail, and member orders. The Senior Manager indicated that potential institutional investors would be more interested if they had some certainty that they could obtain large blocks of the bonds and that retail as the first priority could negatively affect this outcome. After much discussion Authority staff along with the Hospital agreed to this format. On that call Goldman provided a consensus scale of interest rates ranging from a 2.2% yield in 2012 to 6.75% yield in 2035.

At 9:30 the following morning Authority staff had an update call with Goldman and the Hospital. Although nothing occurred in the market overnight, Goldman indicated that they had been talking with several bond funds and as a result they felt comfortable in significantly reducing the interest rate scale ranging from 2.05% in 2012 to 6.45% in 2035. Authority staff along with the Hospital agreed and gave the approval to go out at these rates.

At 11:30 that morning Authority staff had another update call wherein Goldman indicated that the syndicate had successfully sold most of the bonds. Because there was no interest in the 2012 maturity, they suggested consolidating it into the 2013 maturity which resulted in serial bonds from 2013 through 2021 at yields ranging from 2.35% through 5.33%. The Authority had term bonds in 2026 and 2035 that had initially gone out at interest rates of 6.13% and 6.45 respectively that were over-subscribed and as a result Goldman bumped the rates to 6.05% and 6.38% respectively. The underwriter made an offer to underwrite and the Hospital and the Authority agreed to accept the offer.

The transaction ended up with serial coupons at 5% and yields ranging from 2.35% to 5.33%. The 2026 term bond had a coupon of 6% and a yield of 6.05% and the 2035 had a coupon of 6.25% with a yield of 6.38%. The all-in TIC came in at 6.13%.

The refunding generated a savings of \$2.1 million or 5.86% on their Series A bonds and \$604,630 or 2.29% on their Series F bonds. There was a dissavings on their Series B variable rate bonds but the intent was to eliminate this structure because of difficulty obtaining a letter of credit given their ratings. Overall, the Hospital and the Authority were very happy with the transaction.

(Ms. Kralik joined the meeting at 10:05.)

3. TEFRA Hearing

Saint Barnabas Health Care System – Master Leasing Program

Mr. Escher announced that the following portion of the meeting would be considered a public hearing in connection with the proposed tax-exempt leasing program on behalf of Saint Barnabas Health Care System. This hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Ms. Walton reminded the Members that last month she made an Informational Presentation related to the tax-exempt lease financing for Saint Barnabas Health Care System. She reported that Saint Barnabas had received funding commitments from three firms interested in the leasing program and negotiations were ongoing to achieve the best combination of interest rates and covenant requirements. It had been the intention to request authorization to enter into a Master Leasing Agreement with Saint Barnabas at today's meeting; therefore, notice was published for a TEFRA hearing. Unfortunately, Saint Barnabas has not yet completed its negotiations with the three interested parties with regard to the legal documents. As a result, the Hospital is not seeking approval this month, but would expect to be able to seek approval next month.

Since the TEFRA notice for a public hearing has been advertised, the Hospital has requested that the Authority still hold a public hearing for this transaction and allow for public comment on the transaction. The holding of a public hearing does not bind the Authority to ultimately approve the transaction, which will only be approved at their discretion at the subsequent meeting at which the final documents will be presented. The public hearing held today would satisfy the federal tax law provisions with regard to this transaction when and if approved by the Authority and the Governor at such later date.

Therefore, she requested the Members to conduct a public hearing and seek public comment with regard to the tax-exempt leasing program on behalf of Saint Barnabas Health Care System pursuant to which the Authority will, under a master lease agreement, assist the System and its affiliated entities in (i) financing the costs of health care equipment for the Sublessee Users at the various Project Locations set forth in the notice for a public hearing including, but not limited to, for radiology, cardiology, pediatric, obstetrics, nuclear medicine, oncology and general medicine purposes and for computer related purposes and (ii) financing legal, accounting, consulting and other administrative costs related to the tax-exempt leasing program.

The maximum amount available under the tax-exempt leasing program will not exceed \$57.5 million. The purpose of the presentation is informational and to comply with the public hearing requirements under the Internal Revenue Code of 1986, as amended.

As there were no public comments, Mr. Escher closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended.

4. INFORMATIONAL PRESENTATION Saint Barnabas Health Care System

Ms. Walton introduced Tom Scott, Senior Vice President, System Corporate Finance from Saint Barnabas Health Care System.

She informed Members that today's presentation will be comprised of two components: an Information Presentation followed by a Review of Management Projections.

The Authority is in the process of structuring a financing with JP Morgan Securities and Citigroup Global Markets, Inc. on behalf of Saint Barnabas Health Care System to refinance certain tax-exempt bonds, repay funds drawn against the System's line of credit, and fund approximately \$40 million of capital improvements. It is anticipated that the Bonds will be issued under and pursuant to the Master Trust Indenture as a joint and several obligation of the Members of the Saint Barnabas Obligated Group.

Saint Barnabas Health Care System is New Jersey's largest non-profit integrated health care delivery system. The System includes six acute care hospitals, a behavioral health center, ambulatory care and surgery centers, breast centers, geriatric centers, two children's hospitals and comprehensive home care and hospice programs. Its major facilities include six (6) acute care hospitals consisting of: Clara Maass in Belleville, Community in Toms River, Kimball in Lakewood, Monmouth in Long Branch, Newark Beth Israel in Newark, and Saint Barnabas in Livingston. Excluding newborn bassinets, the system has 3,142 licensed beds, generates revenues of over \$2.4 billion annually and has approximately 18,000 employees. Saint Barnabas has approximately \$817.6 million in debt outstanding.

The current Plan of Finance has four goals:

Restructuring of their Auction Rate Securities debt – Saint Barnabas drew on a line of credit to purchase a portion of its outstanding auction rate securities, achieving over an \$11 million benefit in principal reduction. Saint Barnabas will refinance the Auction Rate Securities purchase with fixed rate refunding of the bonds. The remaining auction rate bonds will be refunded with bond proceeds.

A Refunding of Fixed Rate Currently Callable debt. Saint Barnabas can achieve in the range of \$2.5 to \$5 million in present value savings with a tax-exempt fixed rate matched maturity refunding of its currently callable fixed rate bonds.

A Restructuring of their Capital Appreciation Bonds. In the current market environment, Saint Barnabas has an opportunity to repurchase a portion of the CABS at a discount to their accreted value. The CABS would be purchased through a tender offer and funded using Series 2011 bond proceeds.

Finance and/or Refinance Capital Improvements – Bond proceeds will be used to finance and/or reimburse the System for capital improvements, totaling approximately \$40 million.

Historical financial and utilization information was included in the Member's Board Mailing material. During 2008, the Corporation reported an operating loss of \$207.8 million. The loss was primarily attributable to three issues that negatively impacted operating revenues: (1) unreimbursed care provided to displaced patients resulting from the consolidation of health care providers in Newark area that resulted in the closure of two hospitals (St. James and Columbus). A significant portion of the operating losses at Newark Beth and Clara Maass – system affiliates - can be directly attributable to unreimbursed care provided to the displaced patients. (2) the impact of the financial crisis on Investment results; in total, the System investment portfolio declined by more than 30%; and (3) A reevaluation of previously recorded estimates of Medicare Disproportionate Share reimbursement which reduced revenue by approximately \$30 million. However, 2009 and 2010 were much better years; the system recorded income from operations of \$19.4 and \$73 million respectively demonstrating the System's ability to generate profits from operations and positive bottom lines.

Utilization trends for the years 2008 through 2010 show that inpatient admissions have declined slightly over the past three years which is consistent with industry trends; occupancy falls in the 57 to 60% range and average acute care length of stay has grown to 4.92 days. Key financial ratios for the System are equal to or outperforming statewide medians including Days Cash on Hand of approximately 117 days, an operating margin of 3.07% and debt service coverage three times over.

Over the next few weeks, meetings will be scheduled with the rating agencies, due diligence materials will be reviewed and bond documents will be finalized. It is currently the intention to issue all of the bonds at a fixed rate of interest; however, there may be a small variable rate piece. Based on the most recent timeline the System hopes to be back before the Board next month seeking contingent sale approval.

Ms. Walton turned the presentation over to Steve Fillebrown to review the Financial Projections which were included in the mailing materials.

Mr. Fillebrown informed the Members that the forecast period covers the rest of 2011 through 2015 and that projections show:

- Operating margins increasing slightly over the forecast period, going from 3.5% to 4.3%; 2010 margin was 3.1%
- Stable profit margins in the 4.5-5% range. He noted the projections might sound high given the overall state of hospital finances in NJ but they are consistent with the recent performance of the Saint Barnabas system
- Cash on hand is generally stable in the low 100s. This number would be higher given the strong margins but the system projects that capital spending will equal or exceed depreciation expense throughout the period and it will be making substantial payments into its pension plan to get it fully funded by 2014.
- Days in accounts payables start in the low 70s and fall to the mid 60s as the system pays off a settlement with Medicare
- Days in accounts receivable are constant at 40 days
- Debt Service Coverage Ratio is stable and ranges from 3.07 to 3.40
- Debt to capitalization starts high at 77% but steadily declines over the forecast period to 48%. This is more a factor of the starting low fund balance as opposed to excessively

high debt, although with debt to revenue over 30%, the system's debt load is slightly above the statewide median.

In short, the projections show strong margins and a good cash position with higher than average leverage that improves over time.

He noted that key assumptions include:

- Volume
 - All inpatient and outpatient statistics are projected to remain constant at 2011 levels
- Expenses
 - Total salary expense is projected to increase by 3% per year
 - Fringe benefits are constant at 28% of salaries
 - Supplies and most other expenses increase by between 3% per year; exceptions are drugs and insurance which increase by 5% per year
- Revenues
 - Net Patient Service Revenue rises by 5.0% in 2011 and by just over 3.3% in all other years. This is based on increases of 2% per year for Medicare, Medicaid and Self Pay, 5% per year for managed care and commercial payers, and no increase in charity care subsidies.
 - No change in payer mix

The projection of flat volume is more conservative than typically seen in projections; revenue and expense inflation is about average with what has been seen in recent projections.

Mr. Escher asked what has happened with the Charity Care number in the last couple of years and what is expected to happen in the next year. Mr. Fillebrown noted generally it has been either constant or risen slightly. The big thing this year was there was a change in the formula. Even though the number didn't change all that dramatically, how it was distributed did change depending on how a hospital fares under that formula. He turned it over to Mr. Scott to address the specific effect for St. Barnabas.

Mr. Scott added that when they built projections earlier in the year before they had the final distributions related to Charity Care; they built those projections flat. The actual number relative to State distribution in 2011 increased by about \$1.3 million so the projections are conservative by about \$1.3 million. It was a slight increase over where the Hospital was in State fiscal year 2010.

Mr. Escher inquired as to what the State was trying to do when they changed the formula. Mr. Conroy answered that the State tried to release information earlier. One of the big concerns from hospital executives in the community was that it is very difficult to plan without knowing for certain what the impact will be. The runs were literally generated and released sooner. It wasn't so much the formula itself that was critical, it was the early dissemination of the impact of the final run. There was an attempt to make the formula more sensible. In general the industry wants the opportunity and the flexibility to see how it works this year based on actual charity care volumes.

Mr. Conroy asked to what degree Mega Care and Kensington Manor factor in. Mr. Scott answered that in 2009 and 2010 St. Barnabas divested approximately ten Long Term Care Facilities of which they were both a part of. Mega Care was a holding company for four nursing homes they acquired in the mid-1990s. The reason why they are listed as part of the obligated group right now is that those entities have not been removed from the obligated group at this point in time relative to the projections. They have no revenues, no profitability, no activity related to those facilities.

5. NEGOTIATED PRIVATE PLACEMENT REQUEST & INFORMATIONAL PRESENTATION

Virtua Health System

Mr. Hopkins told Members that his presentation will serve as both a request for a negotiated private placement and as an informational presentation. He introduced Gerry Lowe, Vice President of Finance, and Bob Osler, Treasury Director, of Virtua Health Inc. (“Virtua”). Mr. Hopkins reported that Virtua signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately \$47 million, the proceeds of which will be used to refund a portion of the 1998 bonds the Authority issued on Virtua’s behalf and pay the related costs of issuance. Specifically Virtua wishes to refund the \$39.5 million 1998 term bond due on July 1, 2014 (at 5.25%) and the \$16.5 million 1998 term bond due on July 1, 2018 (at 4.75%). Virtua is requesting that the refunding be accomplished through a negotiated private placement with PNC Bank. Virtua has entered into a rate lock with the bank at rates of 1.062% for the 2014 term bond and 1.956% for the 2018 term bond that will generate savings of approximately 10%.

Mr. Hopkins stated Virtua is a New Jersey not-for-profit corporation which operates two hospital groups, Virtua-Memorial Hospital of Burlington County (“Memorial”) and Virtua-West Jersey Health System (“West Jersey”). Memorial is a 383 licensed-bed facility located in Mount Holly. West Jersey is a 592 licensed-bed system that operates three general acute care hospitals in Berlin, Marlton and Voorhees.

In 2009, the Authority issued a total of \$564,645,000 in bonds on behalf of Virtua in five separate series for the construction of a new Voorhees hospital facility which opened earlier this year. All of those bonds remain outstanding. The Authority also issued bonds on behalf of Virtua in 1998, 2003, 2004 and 2006. Portions of all of these issues remain outstanding.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, Virtua generated an excess of revenues over expenses of approximately \$123.9 million for 2010 and \$164.4 million in 2009. Unaudited information through April 30, 2011 shows Virtua generated excess revenues over expenses of approximately \$22 million. In accordance with Authority policy, Virtua has provided financial projections through 2012, which were included in Members’ meeting packets.

Virtua has asked that the Authority permit the use of a negotiated sale based on large issue size and volatile market conditions. These reasons are considered under the Authority’s policy regarding Executive Order #26, to be a justification for the use of a negotiated sale, therefore,

Mr. Hopkins recommended the consideration of the resolution, included in the meeting materials, approving the use of a negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Additionally, Virtua is requesting that the negotiated sale be conducted in the form of a private placement. Under the Authority's policies, a Borrower requesting a Negotiated Private Placement must also justify the use of a private placement by showing it is either less expensive on a present value basis to complete a private placement or there are other circumstances that would limit the effectiveness or usefulness of a public sale. Based upon Virtua's analysis a private placement generated an additional \$1,000,000 dollars of savings.

Virtua requested and received the approval of the Attorney General's office to have Windels, Marx, Lane & Mittendorf serve as bond counsel. Contingent upon the Members' approval to pursue a negotiated private placement, it is anticipated that staff will be requesting their approval of a contingent bond sale at next month's meeting and closing this transaction in September.

Mr. Escher asked the Members' pleasure with respect to the adoption of the resolution supporting the issuance of revenue bonds by private placement transaction pursuant to Executive Order #26 on behalf of Virtua Health System. Dr. Kazmir offered a motion to adopt the resolution; Mr. Conroy seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. LL-07

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY PRIVATE PLACEMENT TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26."

(attached)

6. LOAN REQUEST

Hoboken Municipal Hospital Authority

Mr. Hopkins introduced Geroge Crimmins, Executive Director of the Hoboken Municipal Hospital Authority, Eric Kurta, a Member of HMHA, as well as Andy Aronson and Lynn Besancon from Gluck Walrath, bond counsel to the HMHA, and Perry Manderino from PriceWaterhouse Coopers, financial advisor to HMHA.

The Hoboken Municipal Hospital Authority has requested a \$2.5 million loan from the Authority to fund the continued operations of the Hoboken University Medical Center ("HUMC"), which is currently owned by HMHA, until the planned sale of HUMC to a company known as HUMC Holdco can be completed. The sale is expected to be completed by the end of September 2011. The loan will be secured by a subordinated pledge of the Revenues of HMHA, including an \$11 million State appropriation to HMHA, which will not be available to HMHA until the sale is closed. The loan will be made from the Authority's fund balance, which is currently over \$4 million.

HMHA has been seeking a purchaser for HUMC for approximately one year. It received several offers and in January, after an extensive review process, selected to pursue the offer from HUMC Holdco, LLC. HUMC Holdco is a for-profit limited liability company that has the same principals as the organization that purchased Bayonne Medical Center in 2008.

The Certificate of Need process for a transfer of license is underway and is expected to be completed by the end of August. Because HUMC is owned by a Municipal Hospital Authority, no review by the Attorney General's office is required pursuant to the Community Healthcare Assets Protection Act ("CHAPA").

A loan resolution, draft loan agreement and note were distributed earlier this week. The terms for the proposed loan are as follows:

The term will be ninety (90) days with the possibility of one ninety (90) day extension at the sole discretion of the Authority.

The Authority will receive a subordinated security interest in the Revenues of the Hoboken Municipal Hospital Authority including the proceeds of the State's fiscal year 2012 appropriation in the amount of \$11 million.

Interest will be at a rate equal to the New Jersey Cash Management Fund interest rate as of the first day of each previous month plus 200 basis points (2%), adjusted monthly.

Payment of all principal and interest shall be due no later than the last day of the term (i.e. 90 days if not extended, or 180 days if extended). HMHA may prepay the loan at any time without penalty.

Staff recommended approval of the resolution authorizing the loan to the HMHA.

Mr. Bollaro asked if the requested \$2.5 million was the total amount required until the sale. Mr. Hopkins answered that the initial request was for \$4.5 million, but the Authority does not have that much on hand but there are other mechanisms in the works to get that other \$2 million that is needed to complete the sale.

Mr. Escher asked if the Authority loan was dependent on them receiving the other \$2 million. Mr. Hopkins responded that they would receive the \$2 million first otherwise the loan would not be given. He added that the risk to the Authority would be if the sale didn't close because the revenues would be coming from the sale. The State appropriation will only be available if the deal closes. The Authority has a fairly high level of comfort that it will happen.

Mr. Conroy added that his department has been working very closely with the Authority and with the city to support the process and the application. Next week, the State Health Planning Board will be reviewing the Certificate of Need application, and staff will be offering their set of recommendations which are imminent. Because of the timing, he will recuse himself during the vote on this resolution.

There were no further questions. Dr. Kazmir made a motion that the Authority approve the resolution regarding the loan to Hoboken Municipal Hospital Authority. Mr. Bollaro seconded. Mr. Escher, Mr. Bollaro, Ms. Rodriguez, Mr. Lee and Dr. Kazmir voted yes, and Mr. Conroy and Ms. Kralik abstained. The motion carried.

AB RESOLUTION NO. LL-08

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the attached form of the “RESOLUTION AUTHORIZING A LOAN FROM THE NEW JERSEY HEALTH CARE FACILITIES FUND BALANCE TO THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY.”

(attached)

7. CONSENT TO TRANSFER BUSINESS ASSETS

Englewood Hospital and Medical Center

Ms. Jessica Waite-Lucas introduced Tony Orlando and Jim Stanton from Englewood Hospital and Medical Center.

She reported that Englewood would like to enter into a Joint Venture Agreement and Management Services Agreement with Visiting Nurse Association Health Group, Inc., a non-profit corporation to form a Company, to be known as Visiting Nurse Association of Englewood, Inc. The Company will own and operate the Englewood Home Health Services, which is currently owned and operated by Englewood and provides home care and hospice services on the property; Visiting Nurse Association Health Group will be the manager of this Company.

As part of the Joint Venture Agreement, Englewood will transfer and contribute its ownership interests, the licenses, permits, certifications, CNs and other governmental authorizations to the Company.

The Authority’s consent, as a Mortgagee and Lender under the Security Agreement, is needed before the U.S. Department of Housing and Urban Development Federal Housing Administration will consent.

A form of opinion by Windels Marx Lane & Mittendorf, bond counsel, has been provided indicating that the consent of the Resolution will not adversely affect the tax-exempt status and validity of the existing documents.

The Attorney General’s office reviewed the documents and had no objection to the Authority’s consent of this Resolution.

Therefore, staff recommended the Board’s approval of Englewood’s request.

Mr. Escher asked if this was a HUD requirement that comes up every so often. Mr. Hopkins confirmed that the Authority grants its consent on the condition of HUD granting its consent, and added that HUD prefers the Authority go first.

Mr. Escher asked the Members' pleasure with respect to the approval of the resolution authorizing a transfer of business assets on behalf of Englewood Hospital and Medical Center. Dr. Kazmir moved consent be given. Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-09

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION CONSENTING TO THE TRANSFER OF CERTAIN BUSINESS ASSETS RELATED TO THE AUTHORITY'S REVENUE BONDS ENGLEWOOD HOSPITAL AND MEDICAL CENTER ISSUE (FHA INSURED MORTGAGE), SERIES 2002."

(attached)

8. CHANGE IN DEFINITION OF MORTGAGED PROPERTY **Holy Name Medical Center, Inc.**

Ms. McAvoy introduced Joe Lemaire and Ryan Kennedy representing Holy Name Medical Center, Rich Nolan from McCarter & English, and Maryann Kicenuik from Windels Marx.

She informed the Members that currently Holy Name has two outstanding public bond issues with the Authority: Series 2006 with an outstanding balance of \$60,000,000 and Series 2010 with an outstanding balance of \$53,145,000. The Series 1997 and Series 2008 issues were refinanced with the issuance of the Series 2010 Bonds.

The Series 2006 Bonds were secured by The Loan and Security Agreement and Mortgage dated as of March 15, 1997 and the First Supplement to the Agreement.

Series 2010 Bonds were secured by the issuance of a promissory note under a Master Trust Indenture between Holy Name and The Bank of New York Mellon, as Master Trustee.

In order to assure that the Series 2006 Bonds and the Series 2010 Note are secured equally without preference or priority by the Agreement and Mortgage and the Master Trust Indenture, respectively, Holy Name, the Master Trustee and the Trustee entered into an Intercreditor Agreement.

Additionally, an affiliate of Holy Name, HNH Fitness, LLC (f/k/a FitnessFirst Oradell Center, LLC), borrowed under the Variable Rate Composite Issue Program, for the purpose of financing the acquisition of a long-term leasehold interest in a building owned by HNH Fitness, the fit-out of the building for use as a fitness and wellness center and payment of certain start-up costs. The Series 2006 A-6 currently has an outstanding balance of \$6,460,000. Holy Name has provided a guaranty with respect to the repayment of obligations of HNH Fitness.

Holy Name Medical Center has expressed an intention to replace both the Letter of Credit provider and the Remarketing Agent for the 2006 A-6 variable rate COMP VII issue and has solicited proposals from three firms on the Authority's approved provider list. TD Securities has been selected to serve as both the replacement LOC provider and Remarketing Agent. In order to provide the most competitive Letter of Credit pricing, the parties have requested that the definition of collateral under the Original Agreement, as supplemented, be amended to include

certain additional real property in addition to the real property and gross receipts currently specified in the definition of Mortgaged Property.

Specifically, Holy Name has requested that the Authority amend certain provisions of the Original Agreement including the granting clauses and the definitions of “Mortgaged Property” and “Pledged Property” to include the additional real property as collateral security, and consent to amend the Intercreditor Agreement.

Meeting packages contained copies of a Resolution Authorizing an Amendment to the Loan and Security Agreement and Mortgage, a Fifth Amendment and Supplement to Loan and Security Agreement and Mortgage, and an Amendment to the Intercreditor Agreement. Bond Counsel has opined that the holders of the Series 2006 A-6 Composite Bonds, the 2006 Bonds and the 2010 Bonds will not be adversely affected by the change in definition of the mortgaged property.

The Attorney General’s office has reviewed the documents and has no objection to the Authority’s consideration of this matter. Accordingly, Staff recommends that the amendments be approved.

Mr. Conroy inquired as to what led Holy Name to pursue the request at this time. CFO Joe Lemaire responded that they have a Letter of Credit that secures the Fitness Center Loan of about \$6.5 million. When they received a renewal from their current LOC bank, the default rates were very high and they went out to bid to three banks to get a better deal. The Medical Center already guarantees the debt of the Fitness Center. So, in order to secure this lower rate they were asked to give them a mortgage on the hospital as well.

Mr. Escher asked the Members' pleasure with respect to the approval of the resolution authorizing an amendment to the Loan and Security Agreement and Mortgage Dated as of March 15, 1997 and Other Incidental Action on behalf of Holy Name Medical Center, Inc. Dr. Kazmir moved consent be given. Mr. Bollaro seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-10

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled “RESOLUTION AUTHORIZING AN AMENDMENT TO THE LOAN AND SECURITY AGREEMENT AND MORTGAGE DATED AS OF MARCH 15, 1997 AND OTHER INCIDENTAL ACTION.” on behalf of Holy Name Medical Center, Inc.
(attached)

9. APPROVAL OF DIVISION OF LAW AGREEMENT FOR 2012

Ron Marmelstein directed the Members attention to a memo Authority staff received from the Division of Law in the Department of Law and Public Safety, which includes the Division of Law’s proposed Client Agency Agreement for legal services to be provided to the Authority for the period from July 1, 2011 to June 30, 2012.

As in previous years, the proposed agreement contemplates the assignment of 1.5 Deputy Attorneys General, which represents 1,800 hours of work on behalf of the Authority. It also contemplates the use of .80 Clerical/Secretarial staff plus overhead. Mr. Marmelstein noted that the Authority only pays for service hours used.

The estimated annual cost of \$252,326 reflected in the agreement is based on the average cost of all deputies presently on staff. In comparison, the estimated fees for the 2011 fiscal year were \$250,893. On a fiscal year basis through June 30, 2011, actual fees from the Attorney General's office have been \$47,232 compared to the \$58,539 that was paid for the same period in 2010. The Authority's 2011 calendar year budget includes \$85,000 for this category.

Mr. Conroy clarified the fees through June 30, 2011 as being \$47,232. Mr. Marmelstein noted that his memo had a slightly higher number and since then the actual bill had been presented and the figures updated. Mr. Escher added that the Authority is well-budgeted with \$85,000.

Mr. Bollaro offered a motion to approve the proposed Division of Law Agreement; Mr. Conroy seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. LL-11

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the proposed Division of Law Agreement, as recommended by staff, for the period from July 1, 2011 to June 30, 2012.

10. APPROVAL OF EXPENSES

Mr. Escher referenced a summary of Authority expenses and invoices. Mr. Escher offered a motion to approve the bills and to authorize their payment; Mr. Bollaro seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. LL-12

WHEREAS, the Authority has reviewed memoranda dated July 21, 2011, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of \$544,468.86, \$14,185.77 and \$34,283.44 respectively, and has found such expenses to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves all expenses as submitted and authorizes the execution of checks representing the payment thereof.

11. STAFF REPORTS

Mr. Escher thanked staff for the Project Development Summary, Cash Flow Statement, Semi-Annual Budget Report and Legislative Advisory reports.

Mr. Hopkins then presented his Executive Director's report noting the following items to Members:

1. He welcomed new Authority Member, Dr. Munr Kazmir. Dr. Kazmir is filling the previously vacant Public Member slot. Dr. Kazmir has a medical degree from the University of Punjab, and completed an internal medical internship at White Plains Hospital/Montefiore Medical Center. In 1998, he founded Direct Meds, Inc., a company licensed to provide prescription medicines throughout the United States directly to the patient. In 2009, he started Easy Carry Medical Transportation, which provides transportation services to disabled citizens as well as ambulance services. Dr. Kazmir also serves as Vice Chair of the New Jersey Lottery Commission.

2. Today the Authority will be releasing a study it commissioned last year to inventory the health care services available in the Hudson County region and to determine if potential opportunities exist for consolidation or regionalization of services. Three Hudson County hospitals that received Health Care Stabilization grants from the Department of Health and Senior Services in State Fiscal Year 2010 were asked to participate in the study as a condition of receiving the stabilization grants. Those hospitals are Christ Hospital, Hoboken University Medical Center (HUMC) and Jersey City Medical Center (JCMC). The study, prepared by Navigant Consulting, Inc., also includes recommendations for consolidation or reorganization of services and a review of the Certificate of Need Application filed by HUMC to transfer its ownership. The study is available at the NJHCFFA website at www.njhcffa.com.

3. There is some talk that the debt reduction discussions are likely to involve the elimination of, or drastic changes to, tax exemption for municipal bonds, like the ones issued by the Authority. An article from CNN was provided to Members.

4. Hospital News

a. Ron DelMauro, CEO of Saint Barnabas Health Care System, has announced he is retiring at the end of the year. Until last year, Mr. DelMauro also served as President of the Saint Barnabas. Mr. DelMauro has been with Saint Barnabas for 45 years. The Saint Barnabas Board has selected current President and Chief Operating Officer Barry Ostrowsky to become CEO.

b. Saint Michael's Medical Center broke ground on its new Emergency Department financed by bonds issued by the Authority and backed by the State. The new ED is expected to open in 2012. Mr. Hopkins attended the ceremony and said a few words.

c. U.S. News and World Report ranked Hackensack University Medical Center John Theurer Cancer Center among the top 50 best hospitals for cancer. It also ranked Robert Wood Johnson University Hospital among the top 140 hospitals in the nation and 42nd in pulmonology.

d. Spiros Hatiras recently stepped down as CEO of Hoboken University Medical Center. Vincent Riccitelli has stepped in as Acting CEO. Mr. Riccitelli was previously CFO.

5. Authority News

- a. The Authority welcomes one returning and two new employees:
- (i) Neetu (Nikki) Thukral returns to the Authority as an Assistant Account Administrator. Neetu worked at the Authority as an Assistant Account Administrator for two years until August 2008. She has an Associate's Degree in Business Management from LaGuardia College. Neetu replaces Jessica Waite-Lucas who was promoted to Account Administrator earlier this year.
 - (ii). Chris Kulick joins the Authority as the Accountant, assisting the Controller. He received his Bachelors degree in Finance this spring from The College of New Jersey. Chris did an accounting and finance internship at MAPS/MSSL in Kendal Park last summer.
 - (iii). Linda Hughes is the Authority's new Communications Specialist. She received a bachelor's degree in Public Relations from Rowan University. Her time there included an internship with Virtua Health. She has experience in market research and most recently served as the Public Relations Specialist for Samaritan Hospice in Marlton, NJ where her duties included media relations, special event planning, website management and newsletter production.

This concluded the Executive Director's report.

As there was no further business to be addressed, following a motion by Dr. Kazmir and a second by Mr. Bollaro, the Members voted unanimously to adjourn the meeting at 10:55 a.m.

I HEREBY CERTIFY THAT THE FOREGOING
IS A TRUE COPY OF MINUTES OF THE NEW
JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY MEETING HELD
July 28, 2011.

Carole Conover, Assistant Secretary