Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on December 15, 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); Joseph Lario, Designee of the Commissioner of Health and Senior Services; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Greg Lovell, Designee of the Commissioner of Human Services; via telephone: Dr. Munr Kazmir, Public Member and Suzette Rodriguez, Public Member.

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Steve Fillebrown, Ron Marmelstein, Lou George, Suzanne Walton, Michael Ittleson, Carole Conover, Linda Hughes, Bill McLaughlin, Arvella King, Jessica Waite-Lucas, Edwin Fuentes, Marji McAvoy, Ellen Lieber, Bernie Miller, Tammy Romsdahl and Christopher Kulick.

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones, Deputy Attorney General; Brandon Minde, Governor's Authorities Unit; Ryan Feeney, NJ Treasury Department; John Kelly, Wilentz; Joseph McCarthy, AtlantiCare Health System; Scott Kobler, McCarter & English; Glenn Wagner, Kaufman Hall; Gary Walsh, Windels Marx Lane & Mittendorf.

CALL TO ORDER

Vice-Chairman Gus Escher called the meeting to order at 10:04 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
November 17, 2011 Authority Meeting

Minutes from the Authority's November 17, 2011 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Mr. Lovell seconded. Mr. Escher, Mr. Lario, Mr. Lovell, Ms. Kralik and Dr. Kazmir voted yes, Ms. Rodriguez abstained, and the motion carried.

2. **BOND SALE REPORT**
Meridian Health

Mr. Lou George reported that on December 7, the Authority successfully priced a $200 million transaction on behalf of Meridian Health System that is scheduled to close on December 21.

The Authority held a pre-pricing call with Wells Fargo Securities, the senior book running manager, and the five other co-managers on Tuesday, December 6. The consensus scale consisted of serial bonds from 2012 through 2027 with yields ranging from 1.59% though 4.69%. It was suggested that the 2012 bonds be offered via a sealed bid. Eleven of the maturities were bi-furcated with lower coupons and specifically designated for the retail investors who would find the prices for these coupons more attractive.

An update call was held on Wednesday morning at 9:00 a.m. wherein the senior manager suggested a five (5) basis point adjustment to rates up and down the scale. The market had moved that much overnight. Staff agreed to the rates and gave them the okay to enter the market.

At noon an update call was held. Many of the maturities were over-subscribed and the senior manager bumped the price for those maturities by the number of times the maturity was oversubscribed. As an example, one maturity was oversubscribed eleven times (11 X); therefore he reduced the interest yield by 11 basis points (actually 12). The structure remained the same with serial bonds from 2012 through 2027 with interest yields, after the bump, ranging from .68% in 2012 through 4.54% in 2027. Wells Fargo made an offer to underwrite at these rates and the Hospital and the Authority accepted the offer. The Authority ultimately issued $200,595,000 of fixed rate bonds with an all-in-TIC of 3.89%. This was purely a refunding issue and generated net present value saving of over $29 million which equates to 12.35% of the refunded bonds.

3. **CONTINGENT BOND SALE**
AtlantiCare Health System

Mr. Bill McLaughlin introduced Mr. Joseph McCarthy, Corporate Director of Finance.

Mr. McLaughlin informed the Members that he would be requesting approval of a contingent sale of bonds on behalf of the AtlantiCare Regional Medical Center Obligated Group. Given that this transaction is a "pure refunding" and that there will not be any increase in the weighted average maturity from the refunded bonds, no TEFRA hearing is required. AtlantiCare is a 575 licensed bed acute care hospital system, which operates two divisions - the City Division, which is located in Atlantic City, and the Mainland Division, which is located in Pomona.

Mr. McLaughlin then stated that the proposed transaction would be comprised of an approximately $40,000,000 tax-exempt private placement with Wells Fargo that will be used to currently refund the Authority's Variable Rate Composite Program Series 2005 A-1 Revenue Bonds; to currently refund the Authority's Variable Rate Composite Program Series 2006 A-1 Revenue Bonds; and to pay the related costs of issuance.

This financing is expected to be structured with one nominal maturity in 2031, which will be subject to sinking fund redemption in part during each year commencing in 2012. This transaction mirrors the final maturities of the refunded bonds. The bonds will be "multi-modal," and will be initially issued in the Direct Purchase Rate Mode for an initial seven year term. Following this initial period, the bonds are subject to a mandatory tender unless AtlantiCare and Wells Fargo renegotiate certain terms of the transaction. The initial interest rate for the bonds will be fixed at closing, and will be calculated as the one-month LIBOR swap rate to the average life of the bonds plus a spread of 75 basis points. The rate would have been approximately 2.35% had the transaction closed on December 5, 2011.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer P.A., the Bond Counsel, stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2012A Bonds in an aggregate principal amount, not in excess of $42,000,000 and at an interest rate not to exceed 5.00% per annum for years one through seven (which interest rate is subject to increase as provided in the Trust Agreement, but in any event will not exceed 12.00% per annum) and not to exceed 12.00% thereafter. The Series 2012A Bonds will have a final maturity date of no later than July 1, 2031 and be subject to redemption prior to maturity as set forth therein, provided, that the redemption price cannot be greater than 105%, subject to a "make-whole redemption." The Series 2012A Bonds will be secured by payments made by AtlantiCare under its Loan Agreement with the Authority as evidenced and secured by a note issued pursuant to the provisions of a Master Trust Indenture and amounts on deposit in certain funds held by the Bond Trustee pursuant to the Trust Agreement. Additional security will include a gross receipts pledge together with a mortgage on certain AtlantiCare property. The Bond Resolution also approves the form of and authorizes the execution of a Direct Bond Purchase Agreement with Wells Fargo Bank or its subsidiary prior to the close of business on March 21, 2012.

Additionally, the Bond Resolution approves the form of and authorizes the execution of the Series 2012A Bonds, Trust Agreement, Loan Agreement and a Calculation Agent Agreement. In certain events where the interest rate on the bonds has to be recalculated, Wells Fargo would make those calculations. Further, the Bond Resolution appoints The Bank of New York Mellon as Bond Trustee, Bond Registrar and Paying Agent for the Bonds. In addition, it authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Trust Agreement, the Loan Agreement, the Direct Bond Purchase Agreement and the Calculation Agent Agreement the completion of the refunding and the issuance of the Series 2012A Bonds.

Mr. Escher asked the Members' pleasure with respect to the adoption of the proposed Bond Resolution on behalf of AtlantiCare Health System. Mr. Lovell made a motion to approve the Bond Resolution. Mr. Lario seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-44

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, ATLANTICARE REGIONAL MEDICAL CENTER OBLIGATED GROUP ISSUE, SERIES 2012A."

(attached)

Mr. McCarthy thanked Mr. McLaughlin and the Authority staff for their work. He appreciated the Authority's approval of the resolution. He stated that AtlantiCare will continue to do well financially, pay off the bonds and may be back next year.

4. MODIFICATION TO THE QUALIFIED BANKERS LIST

Mr. George reported that Blaylock Robert Van, LLC has requested to be added to the Authority's list of approved bankers as a Co-Manager and Placement Agent.

Blaylock is a full-service minority-owned and controlled broker dealer and investment banking firm. It was formed in 1991 as Robert Van Securities and reorganized as Blaylock Robert Van, LLC in 2007.

The firm has six offices co-headquartered in Oakland and New York, with other offices in Chicago, Miami, Los Angeles and Dallas and has 40 employees with nine municipal bankers and 12 sales and trading professionals.

Within the past year, Blaylock has participated in over 53 financings totaling $26 billion. Specific to health care, the firm has served as a co-manager for two bond issues transacted through the Dormitory Authority of the State of New York on behalf of New York Mental Health Services and Long Island Jewish Health System.

The firm does not have a New Jersey presence and the primary contact would be Joseph Barnes, Senior Vice President, who is located in their New York office.

Mr. George requested the members' consideration in adding the firm to the approved list to serve as a Placement Agent and Co-Manager.

Mr. Lario moved to approve adding Blaylock Robert Van, LLC to the Authority's qualified bankers list as Placement Agent and Co-Manager. Ms. Rodriguez seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-45

NOW, THEREFORE, BE IT RESOLVED, that the Authority added Blaylock Robert Van, LLC to the Authority's qualified bankers list as a Placement Agent and Co-Manager.

5. AMENDMENT TO AUTHORITY BY-LAWS

Mr. Hopkins reported that Staff was recommending a change to the Authority's By-Laws regarding the effective date of an Authority Member's resignation. Currently, the Authority's By-Laws state that: "A member of the Authority may resign at any time by tendering written notification of his/her desire to do so to the Chairman of the Authority. The resignation shall be effective as so specified therein; *provided, however, that the resignation shall not be effective until such time as a succeeding member shall be appointed and qualified.*"

The fact that a Member's resignation is not effective until a successor is appointed and qualified has led to uncertainty and difficulty for the Authority, its staff and its Members in the past. For instance, questions have arisen as to how to describe the status of the Member in the Official Statements and other disclosure documents. Also, Members who have resigned may seek to do business with entities that may be considered a conflict if they are still deemed a Member of the Authority. The appointment and qualification of a new Member of the Authority often takes quite a long time, largely as a result of the vetting process at the Governor's appointments office and the advice and consent process by the State Senate.

To remove any uncertainty and difficulties for the Authority and its Members after a resignation has been tendered, Staff recommended amending the Authority's By-Laws by removing the requirement "that the resignation shall not be effective until such time as a succeeding member shall be appointed and qualified." Thus, as proposed, the amended resignation section of the By-Laws would read in its entirety as follows:

"A member of the Authority may resign at any time by tendering written notification of his/her desire to do so to the Chairman of the Authority. The resignation shall be effective as so specified therein."

Staff recommended approval of the resolution amending the Authority's By-Laws as described.

Mr. Escher inquired as to whether this would affect the issue of Members whose terms have expired but they continue to serve until their position is replaced. Mr. Rones stated that policy cannot be changed, as it is set by statute. Mr. Hopkins clarified that it was originally believed that the issue of resignations could lead to confusion over what constitutes a quorum, however Mr. Rones informed him that four Members would always constitute a quorum.

Mr. Escher asked the Members' pleasure with respect to the resolution amending the Authority's By-Laws to reflect that a Member's resignation will become effective at the time it is tendered, and not be dependent on the appointment of a replacement. Mr. Lovell offered a motion to adopt the Resolution; Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-46

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "AMENDMENT OF THE AUTHORITY BY-LAWS TO ALTER THE EFFECTIVE RESIGNATION DATE OF A RESIGNING AUTHORITY MEMBER."

(attached)

6. APPROVAL OF EXPENSES

Mr. Escher referenced a summary of Authority expenses and invoices. He noted that there was an additional request for an emergency Authority expenditure.

Mr. Michael Ittleson informed Members that on Monday, December 12 the air conditioning system for the computer room – which houses the Authority's network servers, equipment associated with the servers and an integrated fire suppression system – failed. Staff would like to have the Members add an expenditure of $7,500 to the list of operating expenditures to have the unit replaced. Currently, the computer room is compromised. The temperature in the computer room is now reading in the mid 80's and further, the door to the computer room has had to remain open 24/7 which compromises the computer room security and fire suppression system. The service firm recommended that the air conditioning system be replaced as soon as possible. It would not be cost effective to replace the parts that need repairing, and it may not even fix the problems in the system. Staff requested that the expenditure be added to the list which would bring the total amount of operating expenditures being approved to $115,378.80. The new equipment can be installed the next day, Friday, December 16.

Ms. Kralik asked if there needed to be a bid for this expenditure. Mr. Hopkins responded that the amount is under the bid threshold. Typically the Authority would seek additional prices on this type of expense, but in this case the repair is an emergency.

Mr. Escher asked for clarification on the bidding laws. Mr. Hopkins stated that the bid threshold is set by statute and is currently $18,000. The Authority would normally seek other prices for expenses at this level, even if they fall under this bid threshold. However, the price seeking would not be a formal sealed bidding process.

Mr. Escher asked if there had been any damage thus far. Mr. Ittleson responded that as of now there had been no failures. As it was an unseasonably warm day, he expected the temperature in the room to increase an additional few degrees. He also noted that it was fortunate this issue did not occur in the summer.

Dr. Kazmir offered a motion to approve the bills, including the emergency expense for a replacement air conditioner in the computer room, and to authorize their payment; Mr. Lario seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. LL-47

WHEREAS, the Authority has reviewed memoranda dated December 8, 2011, summarizing 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 $927,238.34, $45,449.50 and $115,378.80, 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.

7. STAFF REPORTS

Mr. Escher thanked staff for the Project Development Summary and Cash Flow Statement reports. He noted that the Legislative Advisory report was provided to Members on the table.

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

1. Warren Hospital's acquisition by the parent of St. Luke's Health System will be the subject of a CHAPA hearing by the Superior Court on January 6, 2012.

2. Related to the scheduling of the court hearing on CHAPA for Warren Hospital, Warren Hospital has requested a special meeting of the Authority the week of January 9 to consider the contingent bond sale for approximately $43 million of refunding bonds for Warren. This refunding is related to the acquisition of Warren by St. Luke's. The proposed special meeting timeframe would enable the issuance of bonds by the end of January. Many of you have already indicated that you are available for a special meeting on Thursday, January 12, 2012 at 10:00 a.m. If there is no objection, I will schedule and have notice provided for a special meeting for that date and time. There was no objection.

3. Added to the Legislative Advisory today is Senate Bill 3077, which proposes to create a grant program for Non-profit Hospital Development and Redevelopment. It allows the EDA, in consultation with the Treasurer, to provide grants "for the purpose of encouraging the development or redevelopment of non-profit hospitals within the State, through the provision of incentive grants to reimburse non-profit hospital for certain project financing gap costs." Grants can be in an amount of up to 75% of the payroll taxes generated by new permanent jobs created by the hospital development or redevelopment. This bill was scheduled to be voted on in the Senate the day of the meeting.

4. Hospital News

a. On November 29, the State Health Planning Board recommended approving the certificate of need application to reopen the former Pascack Valley Hospital as a 128-bed acute care hospital to be known as HUMC North at Pascack Valley. The facility is owned jointly by Hackensack University Medical Center and a for-profit partner. The recommendation of the State Health Planning Board is provided to the Commissioner of Health and Senior Services who makes the final decision on the application. Valley Hospital has indicated that it will take legal action if the CN is granted to reopen the hospital.

b. Daniel Kane, President and CEO of Bayonne Medical Center, has announced that he retiring as President and CEO but will take over as Chairman of Bayonne's Board of Directors. Mark Spektor, the hospital's Chief Medical Officer and Director of the Emergency Department, will become President and CEO. The current chair of the board, Jim Lawler, will step down as chair but will remain on the Bayonne board.

c. On December 8, St. Mary's Hospital replaced its accounts receivable line of credit from HFG with one from MidCap. Because St. Mary's bonds are HATP bonds backed by a contract with the Treasurer, the transaction required the consent of both the Treasurer and an authorized officer of the Authority. That consent was provided on December 7.

d. On December 1, Lt. Governor Guadagno and Commissioner O'Dowd attended the ribbon cutting for a ceremonial reopening of Hoboken University Medical Center, as it has been recently acquired by HUMC Holdco, LLC.

e. On November 29, the Ridgewood Village Council voted against a revised master plan for the Village that would have permitted a long awaited significant expansion by Valley Hospital. This is seen as a considerable setback for the hospital's plan to construct a $750 million phased replacement hospital on its current site in Ridgewood.

f. The News of Cumberland County reported the previous day that South Jersey Healthcare and Underwood Memorial Hospital are close to a merger deal. The Authority had no prior knowledge of these events, which is unusual as Staff usually has advanced notice or has heard rumors.

5. Authority News

a. Suzanne Walton, a Senior Project Manager, celebrated 25 years with the Authority this month. Mr. Hopkins asked Members to join him in congratulating her.

Mr. Hopkins extended his best wishes for everyone to have a Merry Christmas, Happy Hanukkah and Happy New Year.

This concluded the Executive Director's report.

As there was no further business to be addressed, following a motion by Mr. Lovell and a second by Dr. Kazmir, the Members voted unanimously to adjourn the meeting at 10:32 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 DECEMBER 15, 2011.

____

Carole A. Conover, Assistant Secretary