

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on May 23, 2013 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Elisa Charters, Public Member (Chairing); Brian O'Neill, Designee of the Commissioner of Health; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Greg Lovell, Designee of the Commissioner of Human Services; and 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, Suzanne Walton, Michael Ittleson, Carole Conover; Linda Hughes, Bill McLaughlin, Carl MacDonald, Ellen Lieber, Edwin Fuentes, Bernie Miller and Marji McAvoy.

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

Cliff Rones, Deputy Attorney General; Peter Simon and Brian Kerr, Governor's Authorities Unit; Ryan Feeney, Treasury; John Calandriello and Quincy McLain of Palisades Medical Center; Leah Sandbank of McManimon Scotland & Baumann, LLC; Geri Ann Swenarton of RWJUH; Jonathan Ma of Morgan Stanley; Kay Fern of Evergreen Financial; Doug Placa of JNESCO; and Dr. James J. Kostinas of David Kostinas.

CALL TO ORDER

Vice Chair Elisa Charters 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 24, 2012 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

April 25, 2013 Authority Meeting

Minutes from the Authority's April 25, 2013 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Mr. Lovell seconded. The vote was unanimous and the motion carried.

2. BOND SALE REPORT

St. Luke's Warren Hospital

Ms. Suzanne Walton informed Members that on Tuesday, May 21, the Authority priced \$37,410,000 of refunding bonds on behalf of St. Luke's Warren Hospital. The bonds were sold at a fixed rate and were rated A3 by Moody's and BBB+ by S&P. The bonds were structured with term bonds maturing in 2031, 2034, 2037 and 2043.

Initially the bonds were scheduled to price the previous week , however, BOA Merrill Lynch, the underwriter, suggested the Authority postpone the pricing to allow investment funds more time to research the credit. The Authority and the borrower agreed to wait and price the transaction the following Tuesday.

The delay in pricing proved beneficial to the borrower. General market conditions had improved and the Underwriter suggested that the Authority take advantage of the positive tone in the market and proceed with the pricing. BOAML suggested running a two-hour order period through 11 a.m. and reconvening at 11:30 to discuss the orders.

BOAML indicated that the order book showed strong support from institutional investors with over 32 firms placing orders. Three of the four term bonds were oversubscribed at least one time. The 2037 term bond, which had been offered at a discount with a 4% coupon to yield 4.19, was oversubscribed five times which prompted the Underwriter to offer a 5 basis point adjustment to the yield on that maturity down to 4.14 and made an offer to underwrite the bonds.

The yields on the bonds offered by the management team and accepted by the Authority and the borrower were as follows: the 2031 term bond, a 5% coupon with a yield of 3.6%; the 2034 term bond with a 5% coupon to yield of 3.7%; the 2037 which was the 4% coupon which, adjusted to a 4.14 yield; and the 2043 which had a 4.5% coupon to yield 4%.

The Borrower achieved net present value savings over \$17 million (or 40%) and the all-in TIC was 4.31%.

Ms. Charters reminded Members that the information presented was for informational purposes only and no action was required.

3. CONTINGENT BOND SALE **Palisades Medical Center**

Mr. Bill McLaughlin informed the Members that he would be requesting approval of a contingent sale of bonds on behalf of the Palisades Medical Center Obligated Group. He introduced, from Palisades Medical Center, John Calandriello, Vice President and Chief Financial Officer and Quincy McLain, Director of Finance.

Mr. McLaughlin informed Members that the Palisades Medical Center Obligated Group is comprised of Palisades Medical Center, Inc. and Palisades General Care, Inc. Palisades Medical Center is a 202-bed acute care hospital and Palisades General Care is a 245-bed skilled nursing and residential care facility. Both facilities are located in North Bergen, New Jersey.

It is expected and intended that the Obligated Group will be expanded to include Palisades Medical Associates, LLC. Palisades Medical Associates is responsible for the recruitment and employment of physicians as well as the operation of physician office buildings throughout Hudson County. Palisades Medical Associates is currently structured as a for-profit entity; however, application has been made for a change to non-profit status.

Mr. McLaughlin then indicated that the annual audited financial information for Palisades, presented to Members, indicates that Days Cash on Hand increased from 61.67 days in 2011 to 93.13 days in 2012, stronger than the 2012 Statewide Median of 74.07 days. Palisades' Operating Margin for the years 2011 and 2012 was positive at 0.73% and 5.90%, respectively. Debt Service Coverage Ratio and the Cushion Ratio at year-end 2012 were strong at 3.42 times and 8.42 times respectively. Days in Accounts Receivable are well managed at 38.06 days versus the statewide median of 42.17 days and full time employees per adjusted occupied bed were 5.92 versus a statewide median of 5.40.

Palisades' Annual Inpatient Utilization Trends for the period 2011 to 2012 were positive; showing an increase in inpatient admissions and occupancy rate, while, length of stay has remained fairly stable.

He stated that the proposed transaction will be at a maximum amount of \$55,000,000 of tax-exempt bonds; will be structured as a fixed-rate financing; and will be sold on the basis of Palisades' credit rating. He stated that the Obligated Group is currently rated BB+/Ba2 by S&P and Moody's, respectively. The Working Group remains cautiously optimistic on the prospects of receiving credit rating improvements following presentations to S&P, Moody's and Fitch last week.

The proceeds of the proposed transaction are expected to be used to: currently refund the Authority's outstanding ACA Insured Palisades Medical Center Obligated Group Issue, Series 1999 bonds; currently refund the Authority's outstanding Palisades Medical Center Obligated Group Issue, Series 2002 bonds; fund certain capital budget items; fund a debt service reserve fund, if required, and pay the related costs of issuance. He reminded Members that bond refundings are interest rate sensitive; therefore, the final decision on what is to be included in the financing will be made closer to the time of pricing. Based on recent refunding analyses, only the ACA-insured Series 1999 bonds are sensitive enough to market conditions to create the prospect of removing that series from the refunding. The Series 2002 bonds are expected to be refunded in their entirety regardless of slight market fluctuations.

Mr. McLaughlin then informed the Members that currently, Palisades is in negotiations with ACA, the bond insurer for the Series 1999 bonds, concerning the security for the proposed financing. Until these negotiations are completed, the security structure for the proposed Series 2013 bonds cannot be finalized. However, bond counsel has determined the security structure for each of the three possible negotiated outcomes. Scenario #1 – ACA disallows a supplement to the current MTI and the Series 1999 bonds remain outstanding: In this case, a new master trust indenture is created, an inter-creditor agreement between the two master trustees is established, and Palisades provides evidence that it is able to incur the new debt to ACA, the Master Trustee and the Authority. Scenario #2 - ACA allows a supplement to the current MTI and the Series 1999 bonds remain outstanding: In this case, the Fifth Supplemental Indenture is created which includes a new MTI that “springs” into existence once the Series 1999 bonds reach final maturity or are redeemed. Scenario #3 – The Series 1999 bonds are refunded in their entirety: In this case, a new master trust indenture is established and the existing MTI is collapsed.

Mr. McLaughlin introduced Leah Sandbank of McManimon Scotland & Baumann, LLC, Bond Counsel, to present the Series Resolution pertaining to the transaction.

SERIES RESOLUTION

Ms. Sandbank stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2013 Bonds in an aggregate principal amount not in excess of \$55,000,000 and at a true interest cost not to exceed 5.75% per annum. The Series 2013 Bonds will have a final maturity date of no later than July 1, 2048 and be subject to redemption prior to maturity as set forth therein, provided, that the redemption price cannot be greater than 105%. The Series 2013 Bonds will be issued under the Authority's General Bond Resolution and this Series Resolution, and will be secured by payments to be made by Palisades Medical Center, Inc. ("Palisades") and Palisades General Care, Inc. ("PGC") under their Loan Agreement with the Authority, as evidenced and secured by a Promissory Note, and amounts on deposit in certain funds held by the Bond Trustee. The Promissory Note will either be issued under a fifth supplemental Master Trust Indenture by and among Palisades, PGC and The Bank of New York Mellon, as Master Trustee or under a new Master Trust Indenture by and among Palisades, PGC and The Bank of New York Mellon, as Master Trustee. It is expected and intended that Palisades Medical Associates, LLC will become a member of the Obligated Group under any of the scenarios discussed by Mr. McLaughlin. In the event the 1999 Bonds do not achieve savings and are not redeemed, The Bank of New York Mellon as 1992 Master Trustee will enter into an inter-creditor agreement with the Bank of New York Mellon as 2013 Master Trustee. The Promissory Note, in either event, will be secured by a gross receipts pledge of the Obligated Group under the MTI along with a mortgage on certain Obligated Group properties.

Additionally, the Series Resolution approves the form of, and authorizes the execution of, the Series 2013 Bonds, Loan Agreement, Preliminary Official Statement, Official Statement, and the Letter of Instructions. Further, the Series Resolution appoints Bank of New York Mellon as Trustee, Bond Registrar and Paying Agent for the 2013 Bonds. The Series Resolution also authorizes the execution of the Bond Purchase Contract with Morgan Stanley, the Underwriter, at an underwriting discount, including counsel fees, not in excess of \$13.60 per \$1,000 principal amount of 2013 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 issuance of the Series 2013 Bonds.

Ms. Charters asked the Members' pleasure with respect to the adoption of the Series Resolution on behalf of Palisades Medical Center. Dr. Kazmir offered a motion to adopt the resolution; Mr. O'Neill seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-82

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the Series Resolution entitled "A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE AND REFUNDING BONDS, PALISADES MEDICAL CENTER OBLIGATED GROUP ISSUE, SERIES 2013."

(attached)

Mr. Calandriello thanked the Authority and noted he was appreciative of the swiftness, hospitality and support of the Authority Staff, specifically Mr. Hopkins, Ms. Walton and Mr. McLaughlin.

4. NEGOTIATED PRIVATE PLACEMENT, INFORMATIONAL PRESENTATION AND APPOINTMENTS

University Hospital

Mr. Mark Hopkins informed Members that the State, on behalf of University Hospital, has requested that the Authority undertake a negotiated sale of bond anticipation notes by use of a private placement. Members were advised that his presentation would serve as both a request for negotiated sale and an informational presentation.

Mr. Hopkins stated that University Hospital is becoming an instrumentality of the State as a result of the New Jersey Medical and Health Sciences Education Restructuring Act signed into law on August 22, 2012. The Act essentially divides the University of Medicine and Dentistry among Rutgers University and Rowan University, and creates a stand-alone University Hospital. The Act requires the State to provide funding to University Hospital at a level that is sufficient to maintain the level of community services provided and to provide assistance in financing its outstanding debt. Further, it allows for administrative action to be taken on behalf of University Hospital prior to the operative date outlined in the Act, which is July 1, 2013.

Given that UMDNJ has outstanding indebtedness, it was decided that those debts, public bond issues and certificates of participation, are to be allocated amongst the surviving entities and either refunded or defeased.

The proceeds of the Bond Anticipation Notes are expected to be used to refund the portion of the debt of UMDNJ attributable to University Hospital and finance certain initial operating costs, including working capital. The Authority may permit the use of a negotiated sale based on the sale of notes for a complex credit. This reason is considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale. Further, under the Authority's policies, a Borrower requesting a private placement form of a negotiated sale must justify the use of a private placement. Mr. Hopkins reminded Members that University Hospital is being re-established with both a new organizational and managerial structure, as such it has no stand-alone operating or credit history. By utilizing a private placement, University Hospital management would have an opportunity to establish normative operations without the sometimes onerous requirements associated with public issuances for below investment grade issuers. After University Hospital has established a history of operations, it intends to have the Authority issue permanent bond financing.

In accordance with the Act, University Hospital will continue to operate as a 467-bed acute care hospital. Located in Newark, University Hospital will continue to serve as Level I Trauma Center, Regional Perinatal Center and primary teaching hospital of the Newark-based medical school. Because of the structural changes to University Hospital resulting from the Act, the historical financial performance is of limited value. That being said, financial statements from

University Hospital's fiscal year 2012 show income over expenses of \$4,329,000. Interim financial statements through March 2013 show expenses exceeding revenue by \$16,164,000.

The State, on behalf of the Authority, conducted an RFP process under Executive Order 26 for the selection of an underwriter for the proposed transaction. Following the review of the submitted proposals, Barclays Capital Inc. was selected.

Mr. Hopkins reported that Authority Staff conducted an RFP process under Executive Order 26 for the selection of a trustee. An evaluation committee reviewed the submitted proposals and recommended the Bank of New York Mellon as trustee. Subsequent proposals for both bidding agent and verification agent were solicited and evaluated, resulting in the selection of BLX Group LLC as bidding agent and Causey Demgen & Moore P.C. as verification agent.

Mr. Hopkins recommended the consideration of the resolution approving the use of a private placement form of negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Ms. Charters asked the Members' pleasure with respect to the adoption of the resolution supporting the issuance of bonds by negotiated private placement pursuant to Executive Order #26 on behalf of University Hospital. Dr. Kazmir offered a motion to adopt the resolution; Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-83

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)

APPOINTMENTS

Ms. Charters asked Mr. Hopkins to outline the specific requests that Staff had of the Board in regards to the University Hospital transaction.

Mr. Hopkins recommended that the Bank of New York Mellon be approved as trustee; BLX Group LLC be approved as bidding agent and Causey Demgen & Moore P.C. be approved as verification agent for the proposed transaction.

Dr. Kazmir made a motion to approve the selection of Bank of New York Mellon as the Trustee for this transaction. Ms. Rodriguez seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-84

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the selection of Bank of New York Mellon as the Trustee for the University Hospital transaction.

Dr. Kazmir made a motion to approve the selection of Causey Demgen & Moore P.C. as the Verification Agent for this transaction. Mr. Lovell seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-85

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the selection of Causey Demgen & Moore P.C. as the Verification Agent for the University Hospital transaction.

Dr. Kazmir made a motion to approve the selection of BLX Group LLC as the Bidding Agent for this transaction. Ms. Charters seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-86

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the selection of BLX Group LLC as the Bidding Agent for the University Hospital transaction.

5. NEGOTIATED SALE REQUESTS

a. Robert Wood Johnson University Hospital

Mr. Hopkins informed the Members that Robert Wood Johnson University Hospital (“RWJUH” or the “Hospital”) has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt public offering of approximately \$225 million of bonds. Proceeds of the proposed bond issue will be used to: finance a series of construction projects at the main campus in New Brunswick including expansions to critical care patient access areas; finance various infrastructure investments for emergency power and parking; finance and/or reimburse the Borrower for the acquisition of capital equipment; and fund the related costs of issuance.

RWJUH is a private, non-profit, acute care hospital located in New Brunswick. Currently, the Hospital has 573 licensed beds and is the principal teaching hospital for the Robert Wood Johnson Medical School Division of the University of Medicine and Dentistry of New Jersey. RWJUH provides a wide range of inpatient and outpatient clinical services as well as specialty

services in cardiac care, cancer care, emergency medicine, pediatrics and maternal-fetal medicine. It is the hub of a clinically-integrated medical campus that includes the Cancer Institute of New Jersey, the Child Health Institute of New Jersey and the Bristol-Myers Squibb Children's Hospital. The parent organization of the hospital, Robert Wood Johnson Health System, also includes RWJ University Hospital Hamilton, RWJ University Hospital Rahway, the Bristol Myers Squibb Children's Hospital and Children's Specialized Hospital.

According to the audited financial statements and the Authority's Apollo Report, RWJ generated an excess of revenues over expenses of \$49.19 million and \$42.06 million for the years ending 2012 and 2011. Unaudited numbers for the first three months reflect an excess of revenues over expenses of \$26.2 million.

RWJ has issued debt through this Authority in 1991, 1992, 1996, 2000, 2003, 2004 and 2010 totaling \$390,623,375 of which \$172,245,000 remains outstanding. The most recent issuance by the Authority on behalf of RWJ occurred in 2010, when the Authority issued revenue and refunding bonds in the amount of \$126,415,000. RWJ maintains ratings of A2 and A- from Moody's and S&P respectively.

RWJ has asked that the Authority permit the use of a negotiated sale based on the sale of a complex financing structure including transactions that involve the simultaneous sale of more than one series with each series structured differently; volatile market conditions and large issue size. 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 approving the use of a negotiated public offering and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

RWJ also performed a competitive process to name its underwriter and has selected JP Morgan Securities LLC as its senior managing underwriter. It is in the process of conducting an RFP with respect to recommending a bond counsel firm to the Attorney General's Office for appointment.

Mr. Hopkins introduced Geri Ann Swenarton, RWJ's Vice President of Finance, should the Members have any questions.

Ms. Charters asked the Members' pleasure with respect to the adoption of the Resolution supporting the issuance of revenue bonds by negotiated transaction pursuant to Executive Order #26 on behalf of Robert Wood Johnson University Hospital. Dr. Kazmir offered a motion to adopt the resolution; Mr. Lovell seconded. Mr. O'Neill, Ms. Kralik, Mr. Lovell, Ms. Rodriguez and Dr. Kazmir voted yes. Ms. Charters abstained and the motion carried.

AB RESOLUTION NO. MM-87

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

(attached)

b. Equipment Revenue Note

Ms. Charters informed Members that the Authority's Equipment Revenue Note Program offers borrowers a quick turnaround for financings no greater than \$15 million, in which the proceeds will only be used to acquire equipment or retrofit a facility for equipment. One of the factors contributing to the quick turnaround is that the Authority annually approves the private placement method of sale for all projects fitting the program's specific criteria.

Ms. Charters asked for a motion to ratify this annual resolution to approve the pursuit of a negotiated sale private placement for transactions issued through the Authority's Equipment Revenue Note Program through May 31, 2014. Dr. Kazmir offered a motion to adopt the resolution; Ms. Rodriguez seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-88

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

(attached)

6. MODIFICATIONS TO THE QUALIFIED BANKERS LIST

Suzanne Walton reported that William Blair & Company LLC has requested to be added to the list of approved Authority bankers as a senior manager and placement agent for assisted living facility transactions.

Ms. Walton informed Members that William Blair is a global investment firm headquartered in Chicago, Illinois with office locations in 12 cities including San Francisco, Boston, Hartford, New York, Shanghai, Tel Aviv and Zurich with over 1,000 employees worldwide. Its main lines of business include investment banking, asset management, equity research and institutional and private brokerage services.

One of the firm's areas of expertise is underwriting bonds for assisted living facilities that have State support. Since August of 2012, William Blair has underwritten four such deals totaling over \$70 million. The primary contact who would be assigned to Authority transactions has expertise working on non-rated revenue bond issues including multi-family housing transactions and supportive living facilities for low-income elderly residents in need of assisted long-term care.

As of December 2012, William Blair's net capital was over \$96 million, which provides it with an underwriting capacity of approximately \$1 billion. Based upon the information provided in its Statement of Qualifications, the firm has demonstrated that it is qualified under the Authority's standards to serve as a senior manager and placement agent on assisted living facility

transactions and Staff would recommend the addition of William Blair and Company LLC to the Authority's list of approved bankers.

Mr. O'Neill moved to approve adding William Blair & Company to the Authority's qualified bankers list as a senior manager and placement agent for assisted living facility transactions. Mr. Lovell seconded. Ms. Charters, Mr. O'Neill, Ms. Kralik, Mr. Lovell and Ms. Rodriguez voted yes. Dr. Kazmir did not vote, and the motion carried.

AB RESOLUTION NO. MM-89

NOW, THEREFORE, BE IT RESOLVED, that the Authority add William Blair & Company to the Authority's qualified bankers list as a senior manager and placement agent for assisted living facility transactions.

7. AUDIT COMMITTEE REPORT

Ms. Mary Ann Kralik reported that on April 25, the Audit Committee met to discuss the auditing services contract the Authority has with Mercadien. The contract expired with the completion of the December 31, 2012 audit. However, the contract allows for two one-year extensions at the option of the Authority. The fee for the audit would remain the same as previous years.

Staff and the Audit Committee are very pleased with the services of Mercadien and the committee voted unanimously to recommend an extension of the contract. Therefore, on behalf of the Audit Committee, Ms. Kralik moved that the Authority approve the first one-year extension allowed under the contract with Mercadien for the audit year ending December 31, 2013. Dr. Kazmir seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-90

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the first one-year extension allowed under the contract with Mercadien for auditing services for the audit year ending December 31, 2013, as recommended by Audit Committee.

8. OLD/NEW BUSINESS

a. Election of Officers

As the May meeting serves as the Authority's Annual Meeting, Mr. O'Neill offered a motion to elect the following slate of Authority officers for the coming year.

Officers of the Authority

Vice Chair	Elisa Charters
Secretary	Suzette Rodriguez
Assistant Secretaries	Steve Fillebrown Carole Conover (vacant)
Treasurer	Dr. Munr Kazmir
Assistant Treasurer	(vacant)

Authority Finance Committee

Chairman	Dr. Munr Kazmir
Members	Dr. Munr Kazmir Elisa Charters Suzette Rodriguez
Alternate Member	(vacant)

Authority Evaluation Committee

Members	Dr. Munr Kazmir Elisa Charters Suzette Rodriguez
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Mr. O’Neill also nominated the ex-officio Members from the Department of Health and Department of Banking and Insurance – or their designees – and a representative from Treasury to serve on the Audit Committee.

According to the Authority’s enabling legislation, Mary O’Dowd, as Commissioner of Health, will remain as Chair.

Ms. Kralik seconded the nominations. The vote was unanimous and the motion carried.

Ms. Charters noted that the term of the Authority’s elected officers will begin immediately following the Governor’s ten-day veto period, barring any veto notification from the Governor’s Office.

AB RESOLUTION NO. MM-91

WHEREAS, with respect to the Authority’s elected official positions, one of the three Assistant Secretary roles and the role of Assistant Treasurer will remain vacant and may be filled at a later date with the appointment of new Authority Members,

NOW, THEREFORE, BE IT RESOLVED, that the following individuals are hereby elected to serve in the official positions noted until May 22, 2014, or until the next election of officers:

Vice Chair – Elisa Charters

Secretary – Suzette Rodriguez
 Assistant Secretaries – Steve Fillebrown and Carole Conover
 Treasurer – Dr. Munr Kazmir

BE IT FURTHER RESOLVED, that the Authority’s Finance Committee will be chaired by Dr. Munr Kazmir, with Elisa Charters and Suzette Rodriguez serving as committee members.

BE IT FURTHER RESOLVED, that the Authority’s Evaluation Committee will include Dr. Munr Kazmir, Elisa Charters and Suzette Rodriguez as committee members.

BE IT FURTHER RESOLVED, that the Authority’s Audit Committee consist of the ex-officio Members from the Department of Health and Department of Banking and Insurance – or their designees – and a representative from Treasury.

b. 2013/2014 Calendar

Ms. Charters referenced a proposed list of dates on which to conduct meetings of the Authority and its Finance Committee for the coming year. Dr. Kazmir offered a motion to adopt the schedule; Ms. Rodriguez seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-92

NOW THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the following schedule of dates on which to conduct meetings of the Finance Committee and the Authority; and,

BE IT FURTHER RESOLVED, that, as provided by the provisions of the Open Public Meetings Act and the Authority’s By-laws, the Assistant Secretary is authorized to provide notice of these meeting dates to the Authority’s designated newspapers, to post notice in the Authority offices and on the Authority’s website, and provide notice to the Secretary of State:

FINANCE 10:00 a.m.	AUTHORITY* 10:00 a.m.
2013	2013
Tuesday, June 11	Thursday, June 27
Tuesday, July 9	Thursday, July 25
Tuesday, August 6	Thursday, August 22
Tuesday, September 10	Thursday, September 26
Tuesday, October 8	Thursday, October 24
Wednesday, November 6	Thursday, November 21
Tuesday, December 3	Thursday, December 19

2014	2014
Tuesday, January 7	Thursday, January 23
Tuesday, February 11	Thursday, February 27
Tuesday, March 11	Thursday, March 27
Tuesday, April 8	Thursday, April 24
Tuesday, May 6	Thursday, May 22**

*A Finance Committee meeting has also been scheduled immediately following every Authority meeting.

**Annual Meeting

Ms. Charters noted for the record that, unless advertised to the contrary, all meetings are open to the public and shall be held in the Authority’s office on the fourth floor of Building #4, Station Plaza, South Clinton Avenue, Trenton, New Jersey. She added that the Authority’s staff will perform the required public announcement and notification of the meeting dates once the Governor’s ten-day veto period has passed.

9. APPROVAL OF EXPENSES

Ms. Charters referenced a summary of Authority expenses and invoices. Dr. Kazmir offered a motion to approve the bills and to authorize their payment; Mr. Lovell seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-93

WHEREAS, the members of the Authority have reviewed the memoranda dated May 15, 2013, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$14,042.50 and \$30,578.50 respectively, and have found such expenses to be appropriate;

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

10. STAFF REPORTS

Ms. Charters thanked Staff for the Project Development Summary, Cash Flow Statement and Legislative Advisory reports.

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

1. Mr. Hopkins thanked the Authority Members and Senior Staff for filing their Financial Disclosure Statements with the State Ethics Commission by the May 15, 2013 deadline.

2. Authority Members were reminded that the Authority will have a Special Meeting on Tuesday, June 11 at 10:00 a.m. to consider a Contingent Note Sale for University Hospital. A Contingent Bond Sale for Children's Specialized Hospital may also be considered at that meeting.

3. The trend in the sale of bonds or notes directly to banks is the subject of a white paper on disclosure recommendations issued by a municipal market task force representing ten groups, including the National Association of Health and Educational Facilities Finance Authorities. Steve Fillebrown participated in the discussion and drafting of NAHEFFA's recommendations. The white paper was prompted by the concern about lack of disclosure on direct purchases by banks and MSRB's notice issued last year encouraging issuers to voluntarily post information about the transactions on its municipal bond information website known as EMMA.

4. Hospital & Other News

a. Princeton HealthCare System has named Glenn Zirbser as its new Chief Financial Officer. Mr. Zirbser was formerly Chief Financial Officer at the Inova hospital system in Virginia. He replaces Bruce Traub who is now a partner and Chief Financial Officer at Fitness & Wellness Professional Services, LLC.

b. Cooper Health System has named Adrienne Kirby as President and Chief Executive Officer of Cooper University Health Care in Camden. Ms. Kirby will manage all hospital and ambulatory operations. John Sheridan will remain as President and Chief Executive Officer of the parent corporation, Cooper Health System.

c. New Jersey hospitals experienced a significant drop in hospital readmissions, hospital acquired infections and other preventable conditions. The Affordable Care Act is phasing out reimbursement for these avoidable problems and created and funded an initiative to prevent them. The New Jersey Hospital Association Institute for Quality and Patient Safety has been providing education to doctors and nurses to improve performance in these areas. In just one year, improvement was experienced in 11 of the 12 categories measured, including a 6.2% reduction in readmissions and an astounding 65.2% reduction in pressure ulcers. The work of South Jersey hospitals' efforts to reduce readmission rates is discussed extensively in a separate article provided to Members.

d. The New York Times published an article on May 8 on the tremendous variation in hospital billing based on newly available billing data being provided by Medicare. It noted examples from several different New Jersey hospitals. A subsequent article in the Times on May 16 notes that Bayonne Medical Center has the highest billing rates in the nation. Both articles were provided to Members.

e. Catholic Health East has completed its merger with Trinity Health, forming the second largest not-for-profit health system in the country. Catholic Health East owns Our Lady of Lourdes, Lourdes, St. Francis and St. Michael's hospitals in New Jersey. There are no Trinity-owned hospitals in New Jersey.

f. Several new hospital transactions and mergers have been announced recently, all are subject to the CN and CHAPA regulatory processes:

- i. Chilton Hospital has signed a definitive agreement to join Atlantic Health System.
- ii. St. Clare's Health System has signed an asset purchase agreement with Prime Healthcare, the for-profit company already undergoing regulatory review to purchase St. Mary's and St. Michael's.
- iii. Jersey City Medical Center has signed a definitive agreement to join Barnabas Health.
 - g. Kimball Medical Center in Lakewood, which is part of Barnabas Health, celebrated its 100th anniversary this month.
 - h. Hudson Holdco, which owns Bayonne Medical Center, Christ Hospital and Hoboken University Medical Center in Hudson County, is in the process of adopting the new name CarePoint Health. It also plans to offer a Medicaid insurance plan and be an option on the health care exchange in New Jersey. The company already has a Medicare Advantage plan in operation.
 - i. The New Jersey Senate Joint Oversight Committee on Health, Human Services and Senior Citizens held a hearing on Tuesday to hear concerns about the influx of for-profit hospital corporations in New Jersey. The main thrust was several Senators' desire to have more financial reporting and transparency from the for-profits and closer scrutiny of sale of not-for-profit hospitals to for-profit entities.
 - j. A related article was provided regarding the sale and leaseback of hospital property by several for-profit hospital operators to raise cash.
 - k. There was also an article provided on the concern some employees of St. Mary's Hospital have about losing their retirement benefits due to lack of funds in the pension plan.

5. Authority News

- a. Diane Johnson, the Authority's Senior Assistant Account Administrator, celebrated twenty years with the Authority this month.

11. EXECUTIVE SESSION

At this point, Ms. Charters asked the Members to meet in Executive Session to discuss contractual negotiations and potential litigation regarding St. Mary's Hospital and St. Michael's Medical Center, and to discuss contractual negotiations involving St. Luke's Warren Hospital. As permitted by the Open Public Meetings Act and the Authority's By-laws, Mr. Lovell moved to meet in Executive Session to discuss contractual negotiations and potential litigation regarding St. Mary's Hospital and St. Michael's Medical Center, and to discuss contractual negotiations involving St. Luke's Warren Hospital. Dr. Kazmir seconded. The vote was unanimous and the motion carried. Ms. Charters noted that the results of this discussion will be made public when the need for confidentiality no longer exists.

AB RESOLUTION NO. MM-94

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public Meetings Act and the Authority's By-laws, the Authority meet in Executive Session to discuss contractual negotiations and potential litigation regarding St. Mary's Hospital and St. Michael's Medical Center, and to discuss contractual negotiations involving St. Luke's Warren Hospital,

BE IT FURTHER RESOLVED, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

Public session reconvened. No action was taken during Executive Session.

As there was no further business to be addressed, following a motion by Dr. Kazmir and a second by Mr. O'Neill, the Members voted unanimously to adjourn the meeting at 11:08 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
MAY 23, 2013.

Stephen M. Fillebrown, Assistant Secretary