Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on April 22, 2010 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

*The following **Authority Members** were in attendance:*
Commissioner Poonam Alaigh, Department of Health and Senior Services, Chair; Gus Escher, Public Member; Ulysses Lee, Public Member; Crosby Sherman, Designee of the Department of Banking and Insurance, and Eileen Stokley (via telephone), Designee of the Commissioner of Human Services.

*The following **Authority staff members** were in attendance:*
Mark Hopkins, Steve Fillebrown, Jim Van Wart, Lou George, Suzanne Walton, Bill McLaughlin, Arvella King, Carole Conover, Michael Ittleson, Tammy Trovato, Brooke Liebowitz, Taryn Jauss, Robin Piotrowski, Jessica Waite, Kerry Cook, Bernie Miller, Marji McAvoy, Diane Johnson, and Wanda Lewis, and Osato Chitou.

*The following **representatives from the State and/or the public** were in attendance:*
Cliff Rones, Deputy Attorney General; Johanna Jones, Governor's Authorities Unit; Sr. Norah Clarke and Sr. Lucille, St. Ann's Home for the Aged; Bruce Traub, Princeton HealthCare System; Sarah Dawkins, Karfman Hall & Associates; Gary Walsh, John Bitar, and Maryann Kicenuik of Windels Marx Lane & Mittendorf; Philip DelVecchio, Merrill Lynch; Michael Pietrowicz and Anthony Orlando, Englewood Hospital; R.T. Nolan, Esq., McCarter & English; James Kalemba, Hackensack University Medical Center; Chelsea Walton, Evergreen Financial; Michael Prigoff, Lebson, Prigoff & Baker; and, Liza Wolf, Cozen O'Connor.

CALL TO ORDER

Commissioner Poonam Alaigh called the meeting to order at 10:10 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 28, 2009 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 the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

1. APPROVAL OF MINUTES
<u>March 25, 2010 Authority Meeting</u>

Minutes from the Authority's March 25, 2010 meeting were presented for approval. Mr. Escher offered a motion to approve the minutes; Mr. Sherman seconded. The minutes were approved unanimously.

2. TEFRA HEARING & CONTINGENT BOND SALES

Commissioner Alaigh announced that the following portion of the meeting would be considered a public hearing in connection with the proposed issuance of bonds on behalf of Princeton Healthcare System and St. Ann's Home for the Aged. 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.

a. Princeton Healthcare System

Ms. Walton introduced Bruce Traub, Chief Financial Officer of Princeton HealthCare System, and Sarah Dawkins, Assistant Vice President of Kaufman Hall & Associates, Inc., financial advisor to the Hospital.

Ms. Walton began her presentation by calling the Members attention to two revisions that were made to the Board material subsequent to the mailing last week. In the 4-page Summary of the Proposed Transaction, under the "Ratings" section, it indicates that the Series 2010C and D Bonds would be rated. Given those two series of bonds will be purchased directly by the Banks, they will be unrated. Secondly, under the "Contingencies" section with respect to interest rates, the language in (2) which excluded Index Rate Bonds from the 12% cap has been deleted. Bonds in a series bearing interest at an Index Rate would be subject to the 12% cap. The Transaction Summary and Resolution on the table today have been revised to reflect those changes and language has been added to Section 9 of the Bond Resolution to reflect requirements related to prevailing wage provisions.

She stated that Princeton HealthCare System, A New Jersey nonprofit corporation (the "System") owns and operates the following divisions: **The University Medical Center at Princeton**, an acute care facility; **The Merwick Care Center,** a skilled nursing, rehabilitation and extended care facility; **Princeton House Behavioral Health,** a psychiatric and substance abuse facility, **Princeton Rehabilitation Services**, an acute rehab unit, currently based at the Medical Center facility and **Princeton Home Care Services**, a home care and visiting nurse service which provides home nursing therapy care, homemaker services, and operates a hospice.

Ms. Walton informed the Members that in February of 2007, The University Medical Center of Princeton received Certificate of Need approval to relocate the Hospital from its current site in downtown Princeton to the FMC site at Route 1 and Plainsboro Road in Princeton. The new 269-bed facility would consist of 192 medical surgical beds, 24 ICU/CCU beds, 30 obstetrical beds, 6 pediatric and 17 comprehensive care beds and would result in a decrease of 34 acute care beds. Princeton HealthCare System obtained conventional financing for this project in April of 2007 with the intention of coming back to the Authority at a later date for permanent tax exempt financing. The site for the New Campus was acquired by the System in March 2008 and site prep work commenced in April 2008. To date, costs of the site acquisition, site improvement and construction of the New Facility have been paid with proceeds of interim loans to the System made by two financial institutions and with funds of the System. In January of this year, Princeton notified the Authority of its desire to refinance the interim loans with a tax exempt financing and requested and received approval to move forward with a negotiated sale.

Ms. Walton stated that today the Members were being asked to consider a contingent sale of bonds on behalf of Princeton HealthCare System ("the System" or "the Borrower"), in an aggregate principal amount not to exceed $355 million, to provide funds, which, together with other funds, will be used to (i) finance and refinance the costs of constructing and equipping a new approximately 270 bed hospital located in Plainsboro, New Jersey, (ii) refinance outstanding loans of the System and other members of the Obligated Group incurred to refund certain previously issued Authority debt for the System and to pay costs of the Project, (iii) fund capitalized interest on the Bonds during the construction period of the Project, (iv) fund reasonably required reserves for the Bonds, if any; and (iv) pay the related costs of issuance.

The Series 2010 Bonds will be issued on a variable rate basis in four series: The Series 2010A and B Bonds will be supported by separate direct pay letters of credit to be issued by Bank of America, N.A. and TD Bank, N.A. respectively, and the Series 2010C and D Bonds will be purchased upon their issuance in their entirety by Wells Fargo Bank, National Association and JPMorgan Bank, respectively.

The Series 2010A and B Bonds will be rated based on the credit ratings of the banks providing credit enhancement. The Series A Bonds, supported by a letter of credit from Bank of America, are expected to be rated (A-1) by S&P and (P-1) from Moody's and the Series B Bonds, supported by a letter of credit from TD Bank, are expected to be rated (A-1+) from S&P and (P-1) from Moody's. The Series 2010C and D Bonds will be privately placed and, therefore, will be unrated.

All four series of bonds will be multi-modal with the ability to convert from one mode to another as provided in the Trust Agreements. They can be issued in a Daily, Weekly, Index, Commercial or Term Rate modes. The Series 2010A and B Bonds will initially bear interest at the Weekly Rate Mode. The Series 2010C Bonds will initially be issued in an Index Rate Mode equal to the sum of the Securities Industry and Financial Markets Association Index commonly referred to as the "SIFMA" Index plus a spread of 185 basis points. The Series 2010D Bonds will initially be issued in an Index Rate Mode with a fixed interest rate of 2.90% for an initial three year period, after which time the bonds will bear interest in an Index Rate Mode equal to 67% of the sum of the 1-month LIBOR plus 250 basis points. In addition, the term sheets offered by the two banks that will purchase the bonds for their own account give the Banks the right to put those bonds on the third anniversary from the date of issuance and on an annual basis thereafter.

The Bonds will be secured by payments made by the Borrower under its Loan Agreements and amounts on deposit in certain funds and accounts established under the Trust Agreements. The Bonds will be secured by obligations issued under its existing Master Trust Indenture and will be considered joint and several obligations of the Obligated Group, secured by a pledge of gross revenues and by mortgages on the existing hospital facility and the new hospital site. Upon the relocation of PHCS from the existing site to the new site, the mortgage on the existing site will be discharged and the property will be sold.

BOND RESOLUTION

Gary Walsh, Esq., of Windels Marx Lane & Mittendorf, LLP stated that the Bond Resolution authorizes the issuance of the Bonds in the various series in an aggregate principal amount, which will yield proceeds, exclusive of any original discount, of not to exceed $355 million for the purpose of making loans to the Borrower to effectuate the Project, including the refinancing of existing taxable loans, fund any required reserves, fund capitalized interest and pay certain costs incurred by the Authority and the Borrower in connection with the Project or the financing thereof. Each Series of Bonds shall mature no later than July 1, 2043. The respective Series of Bonds shall bear interest, initially, at a variable rate or at any of the interest rates modes as described in the respective Trust Agreement, and shall continue to bear interest at a variable rate or at the other interest rate modes, described in the respective Trust Agreement; provided, that the interest rate initially shall not exceed 6% and thereafter shall not exceed 12%, unless the Bonds of a series are held by the Credit Facility provider, in which event the interest rate shall not exceed the maximum interest rate permitted by law. The redemption price on each Series of Bonds shall not exceed 105%.

The Bond Resolution approves the form of and authorizes the execution of a Bond Purchase Contract for the purchase of Series A and B Bonds with Merrill Lynch, Pierce, Fenner & Smith Incorporated, at an underwriter's discount not in excess of $5.00 per $1,000 of Bonds, to be executed no later than July 21, 2010. In addition, the Bond Resolution approves the form of and authorizes the execution of a Direct Bond Purchase Contract with each of Wells Fargo Bank, N.A. and JPMorgan Chase Bank as the Direct Purchasers of the Series C and D Bonds, respectively prior to the close of business on July 21, 2010.

The Bond Resolution also approves the form of the Bonds, Official Statement, Trust Agreement, Loan Agreement and Fund Agreement. There has been provided to the Authority forms of these documents. Each Series of Bonds will have a separate Trust Agreement and Loan Agreement with such changes to the forms presented as are necessary to reflect the particular terms and provisions of the products being offered. These terms and provisions have been provided.

The Bond Resolution also confirms the appointment of The Bank of New York Mellon as Trustee, Bond Registrar for the Bonds, and Tender Agent, if the terms of a Series of Bonds require a tender agent. In addition, the Resolution acknowledges that an Authorized Officer of the Authority is authorized to appoint a Remarketing Agent with respect to the issuance of Bonds supported by a Credit Facility.

Ulysses Lee joined the meeting at 10:20 a.m.

Commissioner Alaigh asked the Members' pleasure with respect to the adoption of the Bond Resolution on behalf of Princeton Health Care System. Mr. Escher moved that the document be approved. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-73

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Bond Resolution entitled, **"A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, PRINCETON HEALTHCARE SYSTEM ISSUE OF VARIOUS SERIES."**

Bruce Traub, Chief Financial Officer of Princeton HealthCare System thanked the Authority and its Members, particularly Suzanne Walton, Lou George, and Mark Hopkins.

b. St. Ann's Home for the Aged

Suzanne Walton introduced Sr. Norah Clarke, Executive Director of St. Ann's Home for the Aged and Sr. Lucille, Director of Marketing and Public Relations. Following the introduction, Ms. Walton stated that St. Ann's Home for the Aged Corp. is a 120-bed long term care facility located in Jersey City operated by the Sisters of St. Joseph of Peace. It began as a senior residence in 1911 and converted to long term care in 1962. For the past 27 years, St. Ann's has operated an Adult Medical Day Care facility with fifty slots. The Day Care Program provides services to developmentally disabled young adults as well as to seniors. Currently, their ages range between 22 and 78 years of age. All clients must have an acceptable medical diagnosis in order to qualify for the Program.

Ms. Walton indicated that St. Ann's plans to relocate the Adult Medical Day Care Program from the basement of their existing building to a new, two story building on property owned by St. Ann's and contiguous to the Home.

She reminded the Members that at the Authority's September Board Meeting, St. Ann's requested and received approval to move forward with a negotiated private placement that would provide funds to finance the expansion project. St. Ann's also indicated a desire to refinance their Series 1996 Bonds, which total approximately $6 million and have a $5.5 million balloon payment due in 2011.

Over the past few months, St. Ann's has selected a purchaser that offered the most attractive terms and conditions for their financing, negotiated the bond documents and secured all the necessary plans and approvals to move forward with the construction project.

Ms. Walton informed the Members that today she would be seeking the Members approval of a contingent sale of bonds on behalf of St. Ann's Home for the Aged ("St. Ann's" or the "Borrower") in an aggregate principal amount not to exceed $14 million.

The proceeds of the bonds will be used to (1) construct and equip a two story building, a portion of which will house its Adult Medical Day Care program, on a parcel of land owned by the Borrower and adjacent to the Borrower's existing long-term care facility, (2) reimburse the Borrower for all or a portion of the cost of the land, (3) currently refund the Authority's outstanding Series 1996 Revenue Bonds, (4) fund capitalized interest on a portion of the Bonds in an amount acceptable to the Bank and (5) pay the related costs of issuance. The final aggregate principal amount of the Bonds will be based upon the final as built appraised value for the Project facility and will not exceed 75% of the loan to value ratio. Based upon the final appraisal, it may be necessary for the Borrower to provide at closing from its available funds, some amount of equity for the Project.

She noted that the financing will be structured as a bank qualified variable rate transaction and will bear interest at an index rate from the date of closing to final maturity unless converted to an alternate rate as provided in the Trust Indenture. The Index Rate equals 69% of the sum of the 30 Day LIBOR plus a spread of 385 basis points, determined initially on the closing date and recalculated monthly; provided that the Index Rate will not exceed the lesser of 12% and the maximum interest rate permitted by law. The bonds will be privately placed with TD Bank, NA and will be secured by the mortgaged property and gross receipts of the Borrower. In addition, the term sheet offered by TD Bank, NA gives the Bank the right to put the Bonds in ten years and every five years thereafter.

St. Ann's has agreed to provide an initial disclosure document and to provide continuing secondary market disclosure for the life of the bonds. Therefore, in accordance with Authority policy, the Authority will require an Investor Letter, as in the past; however the letter will not require indemnification language or the need for similar investor letters from future bondholders.

Ms. Walton then turned the presentation over to bond counsel to outline the resolution and offered to answer any questions the Members may have regarding the transaction after bond counsel's presentation.

BOND RESOLUTION

Maryann Kicenuik of Windels Marx Lane & Mittendorf, LLP stated that the Bond Resolution authorizes the issuance of the Series 2010 Bonds in an amount which will yield proceeds, exclusive of any original discount, of not to exceed $14 million and shall bear interest initially at an Index Floating Rate not to exceed six percent (6%) per annum and, thereafter, the interest rate on the Series 2010 Bonds shall not exceed twelve percent (12.0%) per annum. The Bonds will have a final maturity of no later than May 1, 2040 and will be subject to redemption prior to maturity on such terms and conditions, as shall be set forth in the Trust Agreement; provided, that the redemption price may be no greater than 105%. It authorizes the execution of a Bond Purchase Agreement prior to the close of business on July 21, 2010.

The Trust Agreement also provides that the Bonds are subject to an optional put by the Initial Holder, namely, TD Bank, NA, thereof upon (i) the occurrence of an event of default under the Trust Agreement or a separate Continuing Covenant Agreement between the TD Bank NA and the Borrower or (ii) at the end of the tenth anniversary date of the Bonds and five year intervals thereafter until final maturity. The Bonds are also able to be converted to a Daily Rate, Weekly Rate, Commercial Paper Rate or a Term Rate mode upon the satisfaction of certain conditions.

The Bond Resolution approves the form of the Bonds, the Loan Agreement, the Trust Agreement, the Letter of Instructions and the Direct Purchase Memorandum and authorizes the Authorized Officers of the Authority to execute such documents in the form presented to the Authority with such changes as counsel may advise and the executing Authorized Officer may approve. The Bond Resolution further appoints TD Bank, National Association as Trustee, Tender Agent and Bond Registrar for the Bonds. Finally, the Bond Resolution authorizes and directs the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate in order to effectuate the execution and delivery of the documents authorized under the Bond Resolution and the issuance and sale of the Bonds.

Commissioner Alaigh asked the Members' pleasure with respect to the adoption of the Bond Resolution on behalf of St. Ann's Home for the Aged. Mr. Lee moved that the resolution be approved. Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-74

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the Bond Resolution entitled, **"A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, ST. ANN'S HOME FOR THE AGED ISSUE, SERIES 2010."**

Commissioner Alaigh closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended.

Sister Norah thanked the Authority and its Members for their efforts, and in particular, Suzanne Walton.

1. CONTINGENT BOND SALE
<u>Hackensack University Medical Center</u>

Bill McLaughlin introduced James Kalemba, the Controller for Hackensack University Medical Center.

Following the introduction, Mr. McLaughlin informed the members that today he would be requesting approval of a contingent sale of bonds on behalf of the Hackensack University Medical Center. He reminded the Members that they had approved an $80 million refunding for the Medical Center at its November 2009 meeting, but that the time allotted for the signing of a bond purchase contract had elapsed. He also indicated that at that same meeting, Members had approved the use of Jeffries & Company, Lebenthal & Company, and Ramirez & Company as co-managing underwriters.

He stated that the proposed transaction will be comprised of approximately $225,000,000 of tax-exempt bonds. The transaction will be structured as a fixed rate financing and sold on the basis of the Medical Center's credit rating. The Medical Center is currently rated Baa1 by Moody's and A- by Fitch. It is expected that these ratings will not change as a result of this issuance. The proceeds of this transaction are expected to be used to refund the Authority's Hackensack

University Medical Center Series 2000 bonds; to refund the Authority’s Hackensack University Medical Center Series 1998 bonds; to refund the current interest portion of the Economic Development Authority’s 1997 Hillcrest Health System bonds; to fund the Debt Service Reserve; and to pay related costs of issuance. This financing is interest rate sensitive and will only move forward if the refunding will generate savings for the Medical Center.

Mr. McLaughlin stated that following the question and comment period, John Bitar of Windels, Marx, Lane & Mittendorf, LLP, the Bond Counsel would present the Series Resolution pertaining to this transaction. He stated that this concluded the contingent sale presentation, and should members have any questions concerning this transaction, he or the members of the Medical Center’s management team would answer.

BOND RESOLUTION

John Bitar of Windels, Marx, Lane & Mittendorf, LLP stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2010 Bonds in an aggregate principal amount that will yield proceeds to the Authority, exclusive of any original issue discount, not in excess of $225,000,000 and at a true interest cost not to exceed 6.50% per annum. The Series 2010 Bonds will have a final maturity date of no later than January 1, 2034 and be subject to redemption prior to maturity as set forth therein, provided, that the redemption price cannot be greater than 105%. The Series 2010 Bonds will be secured by payments made by the Hospital 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 Trustee pursuant to the General and Series Resolutions. Security will include a gross receipts pledge and a mortgage on certain Medical Center property that secures all obligations under the Master Trust Indenture, including the Series 2010 Bonds.

Additionally the Series Resolution approves the form of and authorizes the execution of a Bond Purchase Contract prior to close of business on October 27, 2010. The Series Resolution also approves the form of the Series 2010 Bonds, Preliminary Official Statement, Letter of Instructions, Official Statement, and Loan Agreement. Further, the Series Resolution appoints the Bank of New York Mellon as Trustee, Bond Registrar and Paying Agent for the Bonds. The Authorized Officers of the Authority are authorized 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 Bond Purchase Contract and the Loan Agreement, the financing of the Project and the issuance of the Series 2010 Bonds.

Mr. Sherman asked if there would be savings resulting from refinancing. Mr. Bitar stated that there would indeed be savings and that this type of transaction would only be undertaken if savings were realized through refinancing.

Commissioner Alaigh asked the members' pleasure with respect to the adoption of the Contingent Bond Resolution on behalf of Hackensack University Medical Center. Mr. Escher moved that the document be approved. Mr. Sherman seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-75

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Series Resolution entitled, **"A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE AND REFUNDING BONDS HACKENSACK UNIVERSITY MEDICAL CENTER, SERIES 2010."**

2. CAPITAL ASSET PROGRAM CREDIT FACILITY EXTENSION

Mr. Van Wart provided history on the program stating that in 1985, the Authority sold the Variable Rate Demand Revenue Bonds, Hospital Capital Asset Financing Program, Series A-D $100,000,000 bond issue creating a pool of funds to make loans to eligible health care facilities to finance or refinance the construction, acquisition and installation of capital assets. The Bank of New York Mellon (successor by acquisition of the rights and responsibilities of The Bank of New York, which was successor by acquisition of the rights and responsibilities of Summit Bank's Corporate Trust Department, which assumed such rights and responsibilities when Summit Bank merged with United Jersey Bank, the original Trustee) currently serves as Trustee of the funds pursuant to a Trust Agreement initially executed in 1985 and subsequently amended on Twenty occasions through 2012. The First National Bank of Chicago originally provided credit and liquidity support with a "wrap around" letter of credit from Mitsubishi Trust and Banking Corporation. Since that time, Morgan Guaranty Trust Company has provided enhancement, and currently JPMorgan Chase Bank, N.A. ("JPMorgan Chase") serves in that capacity.

Mr. Van Wart went on to say that as a result of the competitive bid process, the Authority entered into a Letter of Credit and Reimbursement Agreement, a Bank Line of Credit Agreement and a Bank Bond Purchase Agreement (collectively the "Bank Documents") with JPMorgan Chase Bank, N.A. (The Chase Manhattan Bank, National Association merged into Chemical Bank and Chemical Bank then changed its name to The Chase Manhattan Bank which has since been changed to JPMorgan Chase Bank, N.A.) to provide the necessary credit and liquidity facilities for the Program. The original Bank Documents provided for the facilities to remain in effect for a three-year period (the "termination date") and contain provisions for one-year extensions of the termination date. The Authority has previously taken advantage of that arrangement to obtain extensions of the termination date through March 25, 2012. The Authority requested the Bank to consider extending the agreements for three years for a total of five years through March 25, 2015. The fee structure will continue to be based on the risk profile of the individual pool participants, as determined by the Bank, and the relatively low risk profile of the debt service reserve fund and fully seasoned unlent proceeds. JPMorgan Chase has agreed to the three year extension to March 25, 2015.

During the term of these agreements, Mr. Van Wart added, Authority staff has found JPMorgan Chase to be attentive to the needs of our borrowers with timely responses and a willingness to address special issues. Therefore, staff requests the Authority's consideration of a three year extension of the termination date to March 25, 2015 in order to maintain the term on the facilities. It is important to note that even though the Bank Documents will be extended, the Authority has the right to replace JPMorgan Chase at any time during the term without penalty.

Mr. Van Wart referred to attachments contained in the board packet, which were copies of a resolution and Twenty-First Supplemental Trust Agreement, drafted by McManimon & Scotland and Amendment No. 14 to the Bank Documents, which provides for the extension of the termination date to March 25, 2015. The Resolution authorizes the execution of the Twenty-First Supplemental Trust Agreement and Amendment No. 14. JPMorgan Chase has agreed to the proposed changes. The Attorney General's office has reviewed the attached resolution and Twenty-First Supplemental Trust Agreement and has no objection to the Authority's consideration of this matter. Accordingly, staff recommends that the resolution be approved.

Mr. Escher asked why the Authority was renewing the extension at this point. Mr. Van Wart replied that it is a policy of the Authority to have a three-year extension in place at all times and that the Authority extends the termination date each year. He noted that the Authority can cancel at any time without penalty.

Commissioner Alaigh asked how much money was in the account. Mr. Van Wart replied that there was $100 million of bonds issued, of which $15 million is held in a debt service reserve fund and $45 million is currently lent to borrowers. There remains approximately $40m available to loan.

Commissioner Alaigh asked the Members' pleasure with respect to the adoption of the resolution supporting the three-year extension of the Letter of Credit and liquidity facilities for the Capital Asset Program, Series A-D Bonds. Mr. Sherman moved that the resolution be approved. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-76

> **NOW, THEREFORE BE IT RESOLVED** that the Authority hereby approves a three-year extension to its contract for JPMorgan Chase Bank to provide the necessary credit and liquidity facilities for the Capital Asset Program, Series A-D thereby moving the termination date to March 25, 2015.

3. CONSENT TO LEASE
Englewood Hospital and Medical Center

Mrs. Wanda Lewis presented a request from Englewood Hospital and Medical Center ("Englewood"), a full-service acute care hospital, to the Authority Members for consideration of a lease between Englewood and Fresenius Medical Care ("Fresenius").

Mrs. Lewis explained that in 2002, the Authority issued $99,955,000 Revenue Bonds on behalf of Englewood (the "Series 2002 Bonds") for the purposes of: financing the construction of an approximately 90,000 square foot ambulatory care center; routine renovations to the Institution's existing facilities; acquisition of equipment and other capital improvements; refunding the Medical Center's Series 1994 Revenue Bonds; and providing capitalized interest on a portion of the Series 2002 Bonds. The proceeds were also used to pay costs of issuance of the Series 2002 Bonds and to fund a Debt Service Reserve Fund.

The Series 2002 Bonds are secured by a gross revenue pledge and a mortgage on Englewood's property, which mortgage is insured by the Federal Housing Authority on behalf of the Secretary of Housing and Urban Development ("HUD"). The outstanding balance on the Series 2002 Bonds as of December 31, 2009 was $89,035,000.00.

If approved by the Authority and HUD, Mrs. Lewis explained, the proposed lease would allow Fresenius to lease no more than 10,000 square feet of presently unused space in the former Emergency Department for the purpose of constructing and operating a dedicated outpatient dialysis facility. The former Emergency Department was recently vacated when the new Emergency Department opened in the fall of 2009.

Fresenius plans to invest approximately $1.9 million dollars to renovate the space and create a first-class outpatient dialysis facility with 20 stations. It currently operates a 16-station outpatient dialysis facility in downtown Englewood, which this proposed space would replace. Fresenius currently serves a chronic population of 120 patients at its Englewood location, which is expected to increase by 20% within 3 years.

The term of the proposed lease is 12 years, with two five-year options. If there is an event of default under the documents securing the Series 2002 Bonds, the lease contains a provision permitting the mortgagee to terminate the lease with 12 months notice. The proposed rent will be calculated on a fair market value appraisal basis at $23.00 per square foot. A substantially final draft of the proposed lease is being provided with this memo. Englewood believes this lease will be beneficial to all parties and will enhance its ability to meet its obligations under the Series 2002 Bond documents. Board Members are being asked to approve the proposed form of lease, contingent on the subsequent approval of HUD.

Commissioner Alaigh asked if this rental agreement would allow more patients to be served. Englewood Hospital representatives said the new facility will transfer existing patients and also have more space so that their services will be expanded.

Mr. Sherman asked how long the lease will run, to which Hospital representatives replied that the lease will run for 12 years. Mrs. Stokley asked further clarification on the nature of the relationship between Englewood Hospital and Fresenius Medical Care. Englewood representatives stated that the Hospital and Medical Center is acting as a landlord and Fresenius will be responsible for their own administration and programs.

Commissioner Alaigh asked the Members' pleasure with respect to the consent to the lease of a portion of certain mortgaged property of Englewood Hospital and Medical Center to Fresenius Medical Care, contingent upon the approval of HUD. Mr. Escher moved consent be given. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-77

NOW, THEREFORE BE IT RESOLVED that the Authority hereby consents to the lease of a portion of certain mortgaged property of Englewood Hospital and Medical Center to Fresenius Medical Care, contingent upon the approval of HUD.

4. AMENDMENT TO THE AUTHORITY'S 2010 BUDGET

Mr. Michael Ittleson, the Authority's Controller reported that after reviewing the documents outlining the procedures, reporting requirements, establishment of contracts, internal accounting controls and single audit requirements regarding the implementation of the Health Information Exchange Grant that the Authority was awarded through the American Recovery and Reinvestment Act, staff has realized that it does not have the necessary knowledge and experience to properly implement and monitor the Grant.

As such, staff is asking the members consideration of the following: one, the hiring of Ernst & Young to assist the Authority staff in the implementation of the Grant. Mr. Ittleson referred members to their board packet which includes a copy of an engagement letter from Ernst & Young with a not to exceed fee of $15,000. Mr. Ittleson also requested from Ernst & Young a not to exceed amount for out-of-pocket expenses which they responded in an email will not exceed $500.

Mr. Ittleson went on to add that if the members approve the hiring of Ernst & Young, he would also like to request an amendment to the budget line item New Financing Products-Developmental Phase in the amount of $8,240.00 in order to pay for the engagement. The line item had an original budget amount of $15,000 and $7,740.00 has been expended to date for the legal fees and costs associated with the Lakewood Resource and Referral Center FQHC loan the Authority issued on January 29th of this year.

Mr. Escher asked if Ernst & Young had been the consultant for the Authority's recent audit and if the Authority would need to go through another RFP process again next year. Mr. Ittleson responded in the affirmative. Mr. Escher went on to ask how Ernst & Young was selected for the HIT grant project. Mr. Ittleson explained that Ernst & Young had been helpful in the past in responding to questions about administering the HIT grant and had significant experience working with the Authority and was familiar with the business operations of the organization. As the grant period had already started, the Authority needed a firm that could come in and start right away. Additionally, the bid from Ernst & Young had come in well below the bid threshold. As such, the Authority felt that Ernst & Young was the best candidate to perform work for the Authority.

Mr. Sherman asked how far the Authority was in the process of hiring for the HIT project manager. Mr. Hopkins replied that the Authority had narrowed it down to two candidates and a decision should be made shortly. The new hire will serve as the Project Manager while Ernst & Young will be responsible for setting up procedures for accounting for the grant funds and preparing for the single audit required for federal grants.

Commissioner Alaigh asked the Members' pleasure with respect to the adoption of a resolution to amend the 2010 budget in the amount of $8,240. Ms. Stokley moved that the document be approved. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-78

NOW, THEREFORE, BE IT RESOLVED, that, the Authority hereby amends its 2010 Budget to provide an additional $8,240.00 to pay for consulting costs associated with implementation of projects under the Health Information Technologies Grant

Commissioner Alaigh the asked the Members' pleasure with respect to the adoption of resolution to approve the hiring of Ernst & Young at a cost not to exceed $15,000, with a not to exceed amount for out-of-pocket expenses of $500, for a total of $15,500. Mr. Escher moved that the resolution be approved. Mr. Sherman seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-79

NOW, THEREFORE, BE IT RESOLVED, that, the Authority approves the hiring of Ernst & Young to assist staff in the implementation of the Health Information Technologies Grant at a cost not to exceed $15,000, with a not to exceed amount for out-of-pocket expenses of $500, for a total of $15,500.

5. MODIFICATION TO THE QUALIFIED BANKERS LIST

Louis George, Director of Project Management for the Authority, provided background on the request to modify the Qualified Bankers List. He stated that in December, 2008, Wells Fargo & Company acquired Wachovia Corporation and its subsidiaries including Wachovia Bank, N.A. Since that time Wachovia Bank, N.A. operated as a wholly-owned subsidiary of Wells Fargo. In late March Wells Fargo completed its merger and Wachovia Bank N.A. was integrated into Wells Fargo Bank N.A. Wells Fargo Bank N.A. is the legal entity for underwriting, swap counterparty and letter of credit purposes; however, there are times when they may use their trade name of Wells Fargo Securities particularly on the cover of an Official Statements.

Mr. George went on to report that Wachovia Bank N.A. was on the Authority's "Approved Qualified Bankers List" and as a result of the merger, the Authority asked Wells Fargo to provide us with an updated and completed Request for Qualifications. Upon review, the Authority believes Wells Fargo meets the criteria to serve as a Senior Manager, Co-Manager, Remarketing Agent, Financial Advisor and Placement Agent. They have over $118 billion in total assets. To support their underwriting capabilities, they provided a case study wherein they purchased $228.8 million of New Jersey State GO bonds via a competitive sale for which they had a 95% underwriting liability. In terms of distribution they have both an institutional and a retail distribution network. Their retail platform employs over 14 thousand Financial Advisors and over 6 thousand Licensed Financial Specialists.

Mr. George requested the consideration of the members to replace Wachovia Bank, N.A. on the Approved Qualified Bankers List with Wells Fargo Bank N.A.

Commissioner Alaigh asked the Members' pleasure with respect to the adoption of the resolution replacing Wachovia Bank, N.A. on our Approved Qualified Bankers List with Wells Fargo Bank N.A. Mr. Escher moved that the resolution be approved. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-80

> **NOW, THEREFORE BE IT RESOLVED**, that the Authority hereby adds Wells Fargo Bank, NA as Senior Manager, Co-manager, Remarketing Agent, Placement Agent, and Financial Advisor to its list of approved bankers and deletes Wachovia Corporation from same.

6. AUTHORITY EXPENSES

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

AB RESOLUTION NO. JJ-81

> **WHEREAS,** the Authority has reviewed memoranda dated April 15, 2010, 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, $42,108.50 and $209,105.69 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. OLD/NEW BUSINESS

a. Appointment of Evaluation Committee

Commissioner Alaigh provided background on the necessity of appointing an Evaluation Committee. In an executive order enacted by Governor McGreevey in 2004 and reaffirmed by Governor Corzine in 2006, guidelines were established for conducting an audit RFP, among other audit requirements, as well as the establishment of both an Audit Committee and Evaluation Committee.

At the April 2005 meeting, the Authority amended its by-laws in order to allow for the creation of both Committees. The Evaluation Committee is responsible for conducting the solicitation and evaluation of eligible auditors, and the Audit Committee is responsible for assisting the

Board in retaining an independent auditor and assisting in the financial reporting and audit process of the Authority. With the completion of the audit for the year ending December 31, 2009, the audit contract ends with Ernst & Young, and an RFP for auditing services must be conducted. Since the last Audit RFP was done in 2005, the only remaining member on the Evaluation Committee is Gus Escher. It should be noted that Members of the Audit Committee cannot serve on the Evaluation Committee, and the Evaluation Committee shall consist of no less than three Authority Members.

Members of the current Audit Committee include Bill Conroy, as the designee for the Commissioner of Health; Maryann Kralik, as the designee for the Commissioner of Banking & Insurance; and, Patricia Leahy representing the Treasurer's Office. At this time, it is necessary to appoint new members to the Evaluation Committee.

Ms. Stokley nominated public members Gus Escher, Ulysses Lee, and Suzette Rodriguez to serve as the Authority's Evaluation Committee. Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-82

> **NOW THERFORE, BE IT RESOLVED** that the following individuals are hereby elected to serve as the Authority's Evaluation Committee: Gus Escher, Ulysses Lee, and Suzette Rodriguez.

b. <u>Resolution of Appreciation for Mae Jeffries Grant</u>

Mr. Escher read the attached Resolution of Appreciation for Mae Jeffries-Grant. Mr. Hopkins spoke of the dedication and loyalty with which Ms. Jeffries-Grant served the Authority. Mrs. Lewis mentioned the scholarship fund started in the name of Ms. Jeffries-Grant and noted her dedication to supporting the higher education goals of the young children with which she worked.

Commissioner Alaigh asked the Members' pleasure with respect to the adoption of a resolution in honor of Mae Jeffries Grant and her years of service and contributions to the Authority. Mr. Escher moved that the resolution be approved. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-83
(attached)

8. STAFF REPORTS

Commissioner Alaigh thanked staff for the Project Development Summary, Cash Flow Statement, First Quarter Budget Report and Legislative Advisory. Mr. Hopkins then presented his Executive Director's Report, during which he welcomed Commissioner Alaigh. Mr. Hopkins noted Authority Members were provided with copies of the Authority's Spring

Newsletter, the annual update of the Authority's New Jersey Hospital's Map; and several news article of interest.

Mr. Hopkins also introduced Authority staff members present. Additionally, he invited Authority Members and staff to stay after the meeting to hear a presentation by Osata Chitou, the Eagleton Institute Fellow who has been interning at the Authority this semester, on the recently passed federal health care reform act and the effect it could have on hospitals in New Jersey.

Mrs. Stokley left the meeting at 11:10.

Commissioner Alaigh thanked staff and stated that she looks forward to working with them. She further noted that the work of the Authority is critical to the success of hospitals in New Jersey and she appreciated the opportunity to serve on the Authority Board.

9. EXECUTIVE SESSION

Commissioner Alaigh asked the Members to meet in Executive Session, as permitted by the Open Public Meetings Act and the Authority's By-Laws to discuss contractual negotiations regarding Bayonne Hospital as well as to discuss personnel matters. Mr. Lee offered a motion to meet in Executive Session. Mr. Escher seconded the motion. The vote was unanimous and the motion carried. Commissioner Alaigh noted that the results of this discussion will be made public when the need for confidentiality no longer exists.

AB RESOLUTION NO. JJ-84

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public meetings Act and the Authority's By-Laws, the Authority met in Executive Session to discuss contractual negotiations regarding Bayonne Hospital as well as to discuss matters relating to personnel;

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 Mr. Lee and a second by Mr. Escher, the Members voted unanimously to adjourn the meeting at 11:25 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 ON APRIL 22, 2010.

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Carole A. Conover
Assistant Secretary