Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on February 25, 2010 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:
Gus Escher, Public Member; Ulysses Lee, Public Member (via telephone); Suzette Rodriguez, Public Member; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; William Conroy, Designee of the Commissioner of Health and Senior Services; and Eileen Stokley, Designee of the Commissioner of Human Services (via telephone).

The following **Authority staff members** were in attendance:
Mark Hopkins, Steve Fillebrown, Jim Van Wart, Lou George, Suzanne Walton, Bill McLaughlin, Carole Conover, Michael Ittleson, Marji McAvoy, Bernard Miller, and Stephanie Bilovsky.

The following **representatives from State offices and/or the public** were in attendance:
Phil DelVecchio, Merrill Lynch; Jack Swire, Brian Carter, Wells Fargo Securities; Julienne Custer, American Healthcare Solutions; John Bitar, Windels Marx Lane & Mittendorf; Barry Rabner, Bruce Traub, Princeton HealthCare System; Charles Kim, Sarah Dawkins, Kaufman Hall (via telephone); Richard Hand, Robert Palermo, Meridian Hospitals Corporation; Thomas Hower, Authorities Unit; and Cliff Rones, Deputy Attorney General.

CALL TO ORDER

Vice Chairman Gus Escher called the meeting to order at 10:35 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.

APPROVAL OF MINUTES
January 28, 2010 Authority Meeting

Minutes from the Authority's January 28, 2010 meeting were presented for approval. Mr. Conroy offered a motion to approve the minutes; Ms. Stokley seconded. Mr. Escher voted yes, Mr. Lee voted yes, Ms. Rodriguez voted yes, Ms. Kralik voted yes, Mr. Conroy voted yes, and Ms. Stokley voted yes. The minutes were approved.

INFORMATIONAL PRESENTATION
Princeton HealthCare System

Suzanne Walton introduced Barry Rabner (President and CEO) and Bruce Traub (Chief Financial Officer) from Princeton HealthCare System ("PHCS"). She noted that Charles Kim and Sarah Dawkins from the firm Kaufman Hall, financial advisor to PHCS, were in attendance by conference call. Ms. Walton stated that today's presentation consists of three components: an Information Presentation, a Review of Management Projections and a Project Presentation by representatives of PHCS.

Ms. Walton then reported that the proceeds of the approximately $355 million financing being structured on PCHS' behalf will be used to: (a) refinance interim taxable loans made to PHCS (the proceeds of which were used to defease all of the Authority's outstanding Series 1998 Bonds, and finance the costs of the acquisition of the new hospital's site, the costs of demolition and site work thereon, and the costs of construction and equipping of the new hospital facility); (b) fund miscellaneous capital expenditures for PHCS; (c) fund any capitalized interest on the Series 2010 Bonds; (d) fund a debt service reserve for the Series 2010 Bonds, if necessary; (e) fund the costs of credit and/or liquidity enhancement for all or a portion of the Bonds, as may be applicable; and (f) finance the costs of issuance of the Bonds.

Princeton HealthCare System, a New Jersey non-profit corporation is comprised of four divisions: The University Medical Center at Princeton (an acute care facility with 262 acute care beds, 17 rehab beds and 24 bassinets), The Merwick Care Center (a rehabilitation and extended care facility with 76 long-term beds), Princeton House Behavioral Health (a 110-bed psychiatric and substance abuse 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).

The University Medical Center at Princeton holds an approved Certificate of Need to relocate from its current site in Princeton to the Farm Machinery Corporation site at Route 1 and Plainsboro Road in Princeton. The new facility will consist of 192 medical surgical beds, 24 ICU/CCU beds, 30 obstetrical beds, 6 pediatric, and 17 comprehensive rehab beds. The new 269-bed facility will result in a decrease of 34 acute care beds. The new state of the art facility will be comprised of 614,123 BGSF and a 20,000 SF power plant resulting in a total project cost of approximately $447 million.

An agreement exists with Lubert-Adler for the purchase of the existing hospital campus which will be converted into residential and small retail development.

The Medical Center's primary current service area, from which 78% of all admissions are derived, includes Princeton/Mercer, South Middlesex, Windsor/Hamilton and South Somerset counties. The future campus site located in Plainsboro Township is within 3 miles of the current site and provides improved access from major roadways including Route 1, Plainsboro Road and Scudders Mill Road. The site is closest to the highest percentage of the Medical Center's current patient base, an area whose needs are expected to increase in concert with the projected population growth over the next 5-10 years. As part of this relocation, PHCS will operate a round-the-clock on-demand transportation system for those residents who have no vehicle access to the new facility.

Based on the historical financial and utilization information, PHCS has been financially sound and possesses adequate financial resources to undertake and sustain the proposed project. She then turned the presentation over to Steve Fillebrown to present management's financial projections for the project.

Mr. Fillebrown stated that the projections are more detailed than is usually provided and have a long forecast period of 2010 through 2019. Mr. Fillebrown then presented the results of the projections. Operating and profit margins start strong then decline through 2013 as the project comes on line, then slowly increases for the rest of the forecast period. Looking at earnings before interest and depreciation shows that the decline is due to the increased depreciation and interest associated with the project rather than operating problems at the hospital. The operating margin is slightly negative in 2012 and 2013, but the profit margin is positive throughout the forecast period. Cash on hand is strong throughout the forecast period with well over 100 days for the early part of the forecast followed by an increase to over 200 in the later years. The growth is due to several factors, including positive bottom lines, proceeds from the sale of the old hospital campus, principal payments significantly less than depreciation expense (typical in a level debt service schedule) and low capital expenditures late in the projection period (typical after a major construction project). The accounts payable are projected to decline in 2010 and 2011 from a relatively high starting point of 80 days as the hospital pays off a line of credit, followed by a decrease to the low 50s for the rest of the forecast period. Accounts receivable are forecast to remain constant at 49 days. Consistent with the trend in profit margin, the debt service coverage ratio declines to a low of 2.57 in 2013 and steadily increases after that.

In short, the projections show generally good margins and strong liquidity.

Mr. Fillebrown reviewed the assumptions made by the projections. Regarding volume, inpatient admissions assume fairly aggressive growth. Medical/surgical services are projected to increase 5.9% in 2010, 3.0% per year in 2011 through 2013, then 1.5% a year for the rest of the forecast period. Pediatrics is projected to more than double in 2010 and shows significant increases in 2011 through 2013, then 1.5% a year for the rest of the forecast period. Most services don't show a big increase in 2010, and show similar trends to medical/surgical services after that. Generally, the hospital cites barriers associated with their current facility that will be addressed with the move to a new location. The growth in pediatrics is attributed to a new relationship with Children’s Hospital of Philadelphia. Emergency room and outpatient projections show basically the same trend as inpatient, with 3% growth in the early years and 1.5% growth in the later years. Growth rates at those levels are not uncommon these days.

In terms of revenues, the projections assume Medicare rates will rise by 2% in 2010, 0.5% in 2011, then 1.5% from 2012 to 2019, while Medicaid rates are projected to increase by 2% in 2010, then 1% for the rest of the forecast period. Commercial payers are generally forecast to increase by 4 to 6% per year. Notable big increases (projected in 2010 and 2011 for Horizon, Oxford and United) are based on either finalized contracts or soon-to-be finalized contracts. Medicare/Medicaid assumptions are consistent with what staff has seen in other projections, maybe even a little lower. The commercial assumptions are slightly on the higher side of what staff has seen.

Regarding expenses, staffing is projected to increase commensurate with volume growth, so FTE/AOB is basically constant throughout the forecast period. Average salaries are projected to increase by 3.0% in 2010, 5.2% in 2011, then 4.0% through 2019. Supplies are projected to increase by between 5 to 7% per year, and drug costs are expected forecast to increase by 5 to 10% per year, while other expenses generally increase by 3% per year. Even accounting for volume growth, these are on the high end of inflation rates staff has seen for expenses in other financings’ projections.

Barry Rabner then presented extensively on the project incorporating several visual aids. His presentation provided a “tour” of the Plainsboro Healthcare Campus, pointing out the various designations of acreage to projects involving complementary service partnerships. Some of these include a Medical Office Building, the Merwick Long Term Care Center, the Children’s Hospital of Philadelphia facility, and the Cancer Program. He explained that the designs for the campus include several allowances for expansion, both in licensing and in facility size. He also talked about the design’s sustainable features including, but not limited to, a cogeneration power plant built with the aid of a PSE&G Grant. Finally, he noted that PHCS has already received

$140 million in gifts and pledges for the project, $15 million of which are dedicated to endowments, and the remainder will go towards brick and mortar aspects of the project.

Mr. Conroy asked about a timeline for the project, to which Mr. Rabner replied that they expect it to be completed by December 2011. As of now, the project is on schedule and all of the larger scheduling hurdles have been completed. Mr. Escher asked how many physicians would be in the Medical Office Building, to which Mr. Rabner and Mr. Traub stated that the hospital will use some of that facility, and more than 100 other physicians will also use it.

In a response to a question from Mr. Escher, Mr. Fillebrown explained that with a level debt service schedule, depreciation expense (a non-cash item) typically exceeds principal payments in the early years of a project.

Ms. Stokley asked about pediatrics volume, to which Mr. Rabner stated that, prior to PCHS's affiliation with CHOP, the pediatrics unit averaged 0.8 children a day. Following the affiliation, that average increased to six children per day and the facility only has six beds. Mr. Conroy asked about the effect of Capital Health's expansion project. Mr. Rabner explained that PCHS originally evaluated the project's viability when Capital was planning to build their new facility at a site even closer to the PCHS site. However, since the Capital expansion will actually be located further from the new site, PCHS feels its numbers are even more conservative.

Mr. Escher thanked the representatives of PCHS for coming in to present.

SUBORDINATION AGREEMENT REQUEST
Englewood Hospital & Medical Center / Metro PCS

Marji McAvoy reminded the Members that Englewood Hospital and Medical Center's Series 2002 bonds were issued on November 27, 2002 in the principal sum of $99,955,000 secured by an FHA-insured Mortgage on property that included leased space. At the time of Final Endorsement in 2008, the leased space included four medical offices, an administrative office for a medical laboratory and a cell phone antenna on the roof.

Englewood now requests approval to enter into a License Agreement with MetroPCS New York, LLC to lease space to Metro to erect and operate another cell phone antenna on Englewood's mortgaged property.

HUD indicated that it cannot act on the request for approval of the License Agreement until the Authority, as mortgagee and lender, also approves and executes a Subordination, Non-Disturbance and Attornment Agreement for the transaction.

Members received a copy of a draft resolution authorizing and approving the Authority's execution of a Subordination, Non-Disturbance and Attornment Agreement prepared by bond counsel Windels Marx Lane & Mittendorf, and a form of opinion by Windels Marx indicating that the execution of the Subordination Agreement will not adversely affect the tax status of the Series 2002 bonds. HUD and the Attorney General's office reviewed these documents with no objection.

Mr. Conroy asked why HUD preferred that the Authority act first; it was stated that it is standard procedure for the State to act first in affairs requiring State and Federal approval. However, HUD has made it clear that it is comfortable granting approval for the request following the Authority's approval.

Mr. Escher moved to adopt the proposed resolution authorizing and approving the Authority's execution of a Subordination, Non-Disturbance and Attornment Agreement. Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-62
(attached)

AMENDMENT OF BOND DOCUMENTS
Southern Ocean County Hospital and Meridian Health Services

Bill McLaughlin introduced Richard Hand, Senior Vice President and Chief Financial Officer for Southern Ocean County Hospital ("SOCH"); and Robert Palermo, Vice President – Finance for Meridian Hospitals Corporation ("Meridian"). Mr. McLaughlin stated that the Members were being asked to approve a resolution on behalf of SOCH and Meridian to facilitate the inclusion of SOCH as an Obligated Group Member under the Meridian Master Trust Indenture, along with MHC and Meridian Nursing and Rehabilitation. He indicated that on January 1, 2010 SOCH became a wholly-owned subsidiary of Meridian Hospital Corporation. It is the intent of SOCH to merge into Meridian Hospitals Corporation and become an operating division of Meridian. The merger is currently scheduled to occur on or around April 1, 2010. Due to the proposed merger, certain documents associated with SOCH financings will need to be replaced or modified. Following these changes to the financing documents, SOCH will be eligible to become a member of the Obligated Group, thereby improving the overall creditworthiness on the existing SOCH transactions through the shared security provided by the Meridian MTI.

Mr. McLaughlin expressed that the inclusion of SOCH as part of the Obligated Group for the Meridian MTI is conditioned upon approval by all of the credit-enhancers on its existing transactions. The approval of these actions will also result in the discharge of a mortgage on SOCH facilities, which currently benefit the credit enhancers. The Meridian MTI does not include mortgages on any of the facilities, though it has provided a negative pledge. Should it be required by the credit enhancers, SOCH will provide a mortgage on its facilities to the benefit of the Master Trustee. If these approvals are not granted, the transactions will continue to operate under the original financing documents and SOCH would not become an Obligated Group Member.

RESOLUTION

John Bitar, of Windels Marx Lane & Mittendorf, LLP, the Bond Counsel, stated that the Resolution authorizes the execution of Replacement Loan Agreements for the Series 1997, Series 2001 and Series 2006 financings as well as Replacement Assignments; and a First Modification to Trust Indenture (Series 2006). The authorization to execute the Replacement Loan Agreements; the Replacement Assignments; and the First Modification to Trust Agreement is conditioned upon: (1) an opinion of Windels Marx Lane & Mittendorf, LLP, to the effect that the Authority's execution of the Replacement Loan Agreements, the Replacement Assignments and the First Modification to Trust Indenture, and the merger of SOCH with and into MHC will not, in and of itself, adversely affect the tax-exempt status of interest on the Series 1997 Bonds, the Series 2001 Bonds and the Series 2006 Bonds for federal income tax purposes; (2) as to the Replacement 1997 Loan Agreement, the consent of Assured Guaranty Corp., the bond insurer for the Series 1997 Bonds; (3) as to the Replacement 2001 Loan Agreement, the consent of Radian Asset Assurance Inc., the bond insurer for the Series 2001 Bonds; and (4) as to the First Modification to the Trust Indenture, the consent of Wachovia Bank, N.A., the provider of an irrevocable direct-pay letter of credit securing the Series 2006 Bonds, and the approval of U.S. Bank National Association, the Bond Trustee for the Series 2006 Bonds (such approval to be evidenced by its execution of the First Modification to Trust Indenture). The Resolution authorizes amendments to certain defined terms contained in the original series resolutions and in the forms of both the Series 1997 Bonds and the Series 2001 Bonds. The Resolution authorizes an Authorized Officer of the Authority to execute a written consent to the merger of SOCH with and into MHC, subject to written consent from Wachovia Bank, N.A., the provider of the direct-pay letter of credit securing the Series 2006 Bonds as to such merger. Finally, the Resolution authorizes and directs the Authorized Officers of the Authority to execute and deliver such other documents, including without limitation, any documents required to discharge the Amended Loan and Security Agreement and Mortgage, to effect cancellation of the Intercreditor Agreement, and to take such other action as may be necessary or appropriate in order to effectuate the actions contemplated by the Resolution, all in accordance with the provisions thereof.

Ms. Stokley asked about the other hospitals in Meridian's System, to which Mr. Palermo replied that Jersey Shore University Medical Center (Neptune), Ocean Medical Center (Bricktown), and Riverview Medical Center (Red Bank) are all acute care hospitals in the System. All of these hospitals are separately licensed, and all license requirements have been fulfilled for this merger. Mr. Lee moved to approve the inclusion of SOCH as part of the Obligated Group for the Meridian MTI, as recommended by staff. Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-63

(attached)

RECOMMENDED CONSULTANT TO REVIEW HUDSON COUNTY HEALTH SERVICES

Steve Fillebrown reminded the Members that the Authority distributed an RFP to determine whether there is duplication of services and unused capacity in the service areas of Christ Hospital, Hoboken University Medical Center, and Jersey City Medical Center in order to identify opportunities for consolidation or regionalization of services if there is duplication or overcapacity. The RFP went out to firms on the Authority's Hospital Workout List, and was posted on the State of New Jersey Business Opportunities website and the Authority's website.

Fourteen responses were received by deadline. Four staff members reviewed the responses based on the criteria outlined in the RFP which included: experience in health planning issues; knowledge of issues and policies affecting hospitals' financial performance; knowledge of and experience in working with health care data sources; knowledge of applicable state and federal laws, rules and regulations applicable to health planning; ability to complete the engagement by June 1, 2010; and, price.

Based on that review, staff selected Accenture LLP for the engagement. Staff contacted the CEO or CFO of each of the three hospitals and none objected to this choice. Accenture is also acceptable to the Department of Health and Senior Services. Mr. Fillebrown added that this project would be run out of Accenture's offices in Florham Park.

Ms. Kralik asked if Accenture was a clear favorite or if there were other close contenders. Mr. Fillebrown stated that final selection came down to two firms, though, there were several acceptable contenders. An expense limit for the project was determined by the required funds set aside by the three Hudson County hospitals. Some of the bids came in over the limit. Accenture's bid was in the middle of the bidders in terms of the overall expense; and cost was a factor in their selection. Mr. Conroy asked if the consultant's recommendations would be binding, to which Mr. Fillebrown stated that they are not.

Mr. Conroy moved to approve the selection of Accenture for the consulting engagement and to authorize the Executive Director to execute a contract between Accenture and the Authority. Ms. Rodriguez seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-64

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the selection of Accenture for the consulting engagement and to authorize the Executive Director to execute a contract between Accenture and the Authority.

MODIFICATIONS TO THE 2010 AUTHORITY BUDGET

Two modifications to the Authority's 2010 budget were requested. The first modification, presented by Michael Ittleson, is in the Fringe Benefit line item, specifically the Authority's employer's pension expense. In preparing the 2010 budget, staff estimated the expense at $154,177.00 or a 10% increase over the expense paid in 2009. After the Authority's budget was approved, the Division of Pension and Benefits posted on their website the listing of the Estimated Pension Billing Amounts due April 1st. The Authority's amount totaled $166,424.00 or an 18.74% increase over the 2009 payment. As a result, staff's original budget estimate was insufficient to pay the amount due. Therefore staff recommended adding $12,247.00 to the Fringe Benefits budget line in order to pay the Authority's employer pension expense due April 1st.

Mr. Conroy asked about the Authority's accuracy for this line item's estimate in past years, to which Mr. Ittleson stated that, sometimes, the State informs the Authority of the level in advance of the Authority's budget approval so an estimate is unnecessary. This year, however, the numbers were received late and were much higher than expected. Because the expense had increased by only 7% in the previous year, it was expected that 10% would be a satisfactory increase for the budget. This was not the case.

Mr. Conroy moved to approve adding $12,247.00 to the Authority's Fringe Benefits budget line in order to pay the Authority's employer pension expense. Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-65

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby modifies its 2010 budget to increase the Authority's Fringe Benefits budget line by $12,247.00 in order to pay the employer pension expense due April 1st.

Mr. Ittleson stated that the second recommended amendment is in the Bankruptcy Fees and Cost line item. It had been anticipated that the St. Mary's Hospital bankruptcy would be completed by year end 2009. As a result staff included only $25,000 for any remaining bankruptcy fees and costs invoiced in January of this year. However, the bankruptcy was not completed until this month. In addition, it was expected that the cost for the firm hired by the Authority to appraise a portion of St. Mary's property would be completed and paid by December 2009. This did not occur due to the fact that the individual with hospital appraisal experience at the consulting firm left the firm appointed by the Authority shortly thereafter, thus requiring the Authority to switch firms which resulted in the appraisal not being completed until this year. Based on these issues, there were insufficient funds in this line item to pay any remaining costs. Therefore, staff recommended adding $50,000 to the Bankruptcy Fees and Costs line item to cover the estimated remaining costs. This would bring the budget line item to $75,000.

Mr. Escher asked if $50,000 is an estimate, to which Mr. Ittleson and Mr. Hopkins responded yes, explaining that, since the Authority is one of three members on the advisory board regarding the sale of St. Mary's Pennington Avenue property, there is still some work to be performed and funded by this line item. $50,000 should be sufficient to cover whatever is remaining in that role.

Mr. Escher then moved to approve adding $50,000 to the Bankruptcy Fees and Costs line item to cover the estimated remaining costs. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-66

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby modifies its 2010 budget to increase the Authority's Bankruptcy Fees and Costs line item by $50,000 to cover the estimated remaining costs.

AUTHORITY EXPENSES

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

AB RESOLUTION NO. JJ-67

WHEREAS, the Authority has reviewed memoranda dated February 18, 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 $425,662.37, $38,257.24 and $25,477.31 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.

STAFF REPORTS

Mr. Escher thanked staff for the Project Development Summary, Cash Flow Statement, and Legislative Advisory. Mr. Hopkins then presented his Executive Director's Report, which stated the following:

1. The Authority's Audit Committee will meet at the Authority's offices on March 9th, 2010 at 10:00 a.m. to review the draft audit with the Authority's independent auditors. Audit Committee Members include Mr. Conroy, Ms.

Kralik and Patricia Leahy from the Treasurer's Office of Management and Budget.

2. Jim Petrino, a long time staff member in the Treasurer's Office of Public Finance, was named Director of the Office of Public Finance.

3. As part of Governor Christie's efforts to reduce the deficit in the current budget, he announced that charity care to hospitals will be reduced by $12.6 million this year. The cut represents a reduction of 1/12 of the charity care payments and will be shared proportionally by all hospitals receiving charity care payments.

4. Governor Christie signed two executive orders affecting the Authority. Executive Order No. 8 improves the State's financial transparency by requiring that the Authority provide its revenue and expense information for the last two fiscal years as well as the coming fiscal year. Executive Order 15 eliminates the use of lobbyists and restricts Authority employees from receiving golden parachutes. The Authority is in the process of preparing its response to Executive Order 15, but it should be noted that the Authority does not engage any lobbyists nor are there any golden parachutes for Authority employees.

5. In hospital news, Hackensack University Medical Center had a setback in its effort to reopen Pascack Valley Hospital. The license for Pascack Valley expired near the end of last year. Hackensack had asked former Commissioner Heather Howard to extend the license by applying the state's Permit Extension Act of 2008. Commissioner Howard ruled that act did not apply to the license. Hackensack appealed in Bergen County Superior Court to overturn Commissioner Howard's ruling. On Monday, the Superior Court ruled it did not have jurisdiction and told Hackensack that proper jurisdiction is in the Appellate Division. Hackensack plans to file its appeal there. Upon a request from Mr. Escher, Mr. Hopkins provided additional background on the history of HUMC's intentions for the Pascack Valley Hospital site. Mr. Hopkins also noted that this morning HUMC had been named as one of the nation's top 50 hospital's according to a newspaper story.

RWJ Hamilton reached a settlement with the Center for Medicaid and Medicare Services Office of the Inspector General regarding alleged overpayments it received from CMS due to outlier costs. RWJ Hamilton will repay CMS approximately $6.5 million over five years.

St. Mary's reorganization plan was confirmed by the bankruptcy court on February 2nd. The reorganization is scheduled to be effective tomorrow assuming certain conditions are satisfied. Once the reorganization plan is effective, St. Mary's will make its full principal and interest payment on its loan due March 1st, 2010. Subsequently St. Mary's will make principal and interest payments of $2.2 million a year for the following 29 years. The amount due on the bonds is $3.7 million a year for the next 18 years. The $1.5 million shortfall in the first 18 years is expected to be paid by the State, subject to appropriation, pursuant to its agreement to back the bonds under Hospital Asset Transformation Program.

The Authority also will be one of three advisory board members overseeing a Trustee appointed to sell St. Mary's property at 211 Pennington Avenue. The other two advisory board members will be a representative of HFG, St. Mary's exit financing lender, and Michael Sniffen, President and CEO of St. Mary's. Ms. Kralik asked what happens to the proceeds of the Pennington Avenue sale, to which Mr. Hopkins stated that the HFG mortgage loan would be repaid first, along with municipal utility bills, with the remaining funds to go to St. Mary's Hospital, and possibly to the unsecured creditors.

6. In Authority news, there are three staff significant anniversaries this month. Gene Sullens, the Authority's Information Technology Specialist, celebrates ten years at the Authority. Senior Account Administrator Wanda Lewis and Project Management Administrative Assistant Mae Jeffries-Grant are each celebrating 25 years with the Authority. Also, Communications Specialist Stephanie Bilovsky will be leaving tomorrow for a one-year leave of absence in order to join her husband in Virginia, who is working on a one-year project there. The Authority has scheduled interviews for a full-time one-year replacement for Ms. Bilovsky. It was also noted that Susan Tonry had received a bone marrow transplant the day before.

This concluded the Executive Director's report. As there was no further business to be addressed, following a motion by Mr. Conroy and a second by Ms. Kralik, the Members voted unanimously to adjourn the meeting at 11:35 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 FEBRUARY 25, 2010.

Carole A. Conover
Assistant Secretary

AB RESOLUTION NO. JJ-62

RESOLUTION AUTHORIZING AND APPROVING THE AUTHORITY'S EXECUTION OF A SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT RELATED TO THE AUTHORITY'S REVENUE BONDS ENGLEWOOD HOSPITAL AND MEDICAL CENTER ISSUE (FHA INSURED MORTGAGE), SERIES 2002

WHEREAS, the New Jersey Health Care Facilities Financing Authority (the **"Authority"**) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law P.L,. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the **"Act"**), for the purpose of ensuring that all health care organizations have access to financial resources to improve the health and welfare of citizens of the State of New Jersey (the **"State"**); and

WHEREAS, Englewood Hospital And Medical Center (the **"Institution"**) has obtained financial assistance from the Authority to, among other things, finance and reimburse the Institution for the costs of the construction and equipping of an approximately 90,000 square foot ambulatory care center, the performance of routine renovations at the existing facilities of the Institution, and the acquisition of equipment and construction of capital improvements at the Institution's facilities (collectively, the **"Project"**); and

WHEREAS, to accomplish the purposes of the Act, the Authority issued its Revenue Bonds, Englewood Hospital and Medical Center Issue (FHA Insured Mortgage), Series 2002 (the **"Bonds"**) on November 27, 2002 and, provided funds to the Institution for the Project (the **"Loan"**) pursuant to a Loan Agreement between the Authority and the Institution, dated as of November 1, 2002; and

WHEREAS, the Loan is evidenced by a Note from the Institution to the Authority (the **"Note"**); and

WHEREAS, the Note is secured by a Mortgage dated November 27, 2002, executed by the Institution in favor of the Authority on certain real property (the **"Property"**), of the Institution (the **"Original Mortgage"**) recorded on November 27, 2002 and a Security Agreement on certain fixtures and equipment of the Institution dated (the **"Security Agreement"**), between the Institution and the United States Department of Housing and Urban Development, acting through the Federal Housing Commissioner ("FHA") dated November 27, 2002, and payments under the Note are insured by the FHA; and

WHEREAS, a Note and Modification Agreement executed by the Institution in favor of the Authority was recorded on May 29, 2008 (the **"Modification"** and together with the Original Mortgage the **"Mortgage"**); and

WHEREAS, the Institution now desires to enter into a Communications Site License Agreement (the "License") by and between the Institution and MetroPCS New York, LLC ("Metro") and, in connection with the execution, has requested the Authority, as mortgagee under the Mortgage, to execute a Subordination, Non-Disturbance and Attornment Agreement by and between the Authority, as Lender, the Institution as Licensor and MetroPCS New York, LLC, a Delaware limited liability company, as Licensor (the **"Agreement"**) pursuant to which the Licensee will subordinate its interests under the License to the interest of the Authority under the

Mortgage and the Authority will agree to recognize the interests of the Licensee under the License in the event of a default by the Institution under the Mortgage; and

NOW, THEREFORE BE IT RESOLVED by the New Jersey Health Care Facilities Financing Authority as follows:

Section 1. Subordination, Non-Disturbance and Attornment Agreement.

The Authority hereby approves the Agreement, in substantially the form attached hereto, and any of the Chairman, Vice Chairman, Executive Director and Deputy Executive Director (each, an "Authorized Officer of the Authority") is authorized to execute such Agreement, with such changes therein as counsel may advise and the Authorized Officer of the Authority executing the same may approve, such approval to be evidenced by such Authorized Officers' execution thereof. Such authorization shall be conditioned upon the receipt of evidence of approval by the FHA in such form satisfactory to the Authorized Officer of the Authority and counsel to the Authority.

Section 2. Incidental Action.

Each of the Authorized Officers of the Authority is hereby authorized and directed to execute and deliver such other documents, and to take such other action as may be necessary or appropriate in order to effectuate the intent of this Resolution.

Section 3. Prior Resolutions.

All prior resolutions of the Authority or portions thereof inconsistent herewith are hereby repeated.

Section 4. Effective Date.

This Resolution shall take effect ten (10) days exclusive of Saturdays Sundays and public holidays, after delivery to the Governor of the minutes of the meeting of the Authority at which this Resolution is adopted.

[Form of Opinion of Windels Marx Lane & Mittendorf, LLP]

___________, 2010

Members of the New Jersey Health
Care Facilities Financing Authority
22 South Clinton Avenue
Trenton, New Jersey 08609

Ladies and Gentlemen:

We acted as bond counsel in connection with the issuance by the New Jersey Health Care Facilities Financing Authority (the "Authority") of its Revenue Bonds, Englewood Hospital and Medical Center Issue (FHA Insured Mortgage), Series 2002 (the "Series 2002 Bonds") under and pursuant to a Trust Agreement dated as of November 1, 2002 by and between the Authority and Commerce Bank, National Association, as Trustee (the "Trust Agreement"). The proceeds of the Series 2002 Bonds were loaned by the Authority to Englewood Hospital and Medical Center (the "Institution") for the Project (as hereinafter defined) (the "Loan") pursuant to a Loan Agreement between the Authority and the Institution, dated as of November 1, 2002.

The Institution has applied the proceeds of the Loan to, among other things, finance the construction and equipping of an approximately 90,000 square foot ambulatory care center, the performance of routine renovations at the existing facilities of the Institution, and the acquisition of equipment and construction of capital improvements at the Institution's facilities (collectively, the "Project"). The Loan is evidenced by a Note from the Institution to the Authority (the "Note").

The Note is secured by a Mortgage dated November 27, 2002, executed by the Institution in favor of the Authority on certain real property (the "Property"), of the Institution (the "Original Mortgage") recorded on November 27, 2002 and a Security Agreement on certain fixtures and equipment of the Institution dated November 27, 2002 (the "Security Agreement"), between the Institution and the United States Department of Housing and Urban Development, acting through the Federal Housing Commissioner ("FHA") and payments under the Note are insured by the FHA, and a Note and Modification Agreement executed by the Institution in favor of the Authority was recorded on May 29, 2008 (the "Modification" and together with the Original Mortgage the "Mortgage"). The Trust Agreement, the Note, the Security Agreement and the Mortgage are hereinafter referred to as the "Loan Documents".

The Institution now desires to enter into a Communications Site License Agreement (the "License") by and between the Institution and MetroPCS New York, LLC ("Metro") and, in connection with the execution, has requested the Authority, as mortgagee under the Mortgage, to execute a Subordination, Non-Disturbance and Attornment Agreement by and between the Authority, as Lender, the Institution as Licensor and MetroPCS New York, LLC, a Delaware limited liability company, as Licensee (the "Agreement") pursuant to which the Licensee will subordinate its interests under the License to the interest of the Authority under the Mortgage and the Authority will agree to recognize the interests of the Licensee under the License in the event of a default by the Institution under the Mortgage.

The Authority has authorized and approved the Agreement by resolution adopted on February 25, 2010 (the "Resolution").

In our capacity as bond counsel, we have examined an executed copy of the Mortgage, the License, the Agreement and other documents as we have deemed necessary or appropriate to enable us to express the opinions set forth below.

Based upon the foregoing, it is our opinion that:

(1) The Authority's adoption of the Resolution and execution and delivery of the Agreement by its Authorized Officers is not prohibited by the Loan Documents;

(2) The Authority has full power and authority to enter into the Agreement; and

(3) The execution and delivery of the Agreement will not adversely affect the exclusion from gross income of interest on the Series 2002 Bonds for federal income tax purposes.

This opinion is furnished to you solely for your benefit and may not be used nor relied upon by any other persons.

Very truly yours,

AB RESOLUTION NO. JJ-63

RESOLUTION AUTHORIZING AND APPROVING THE AUTHORITY'S EXECUTION OF DOCUMENTS RELATING TO THE PROPOSED MERGER OF SOUTHERN OCEAN COUNTY HOSPITAL AND MERIDIAN HOSPITALS CORPORATION

WHEREAS, the New Jersey Health Care Facilities Financing Authority (the **"Authority"**) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the **"Act"**), for the purpose of ensuring that all health care organizations have access to financial resources to improve the health and welfare of citizens of the State of New Jersey (the **"State"**);

WHEREAS, Southern Ocean County Hospital, a nonprofit corporation duly organized and validly existing under the laws of the State of New Jersey (**"SOCH"**), has obtained financial assistance from the Authority pursuant to a Loan and Security Agreement and Mortgage dated as of May 1, 1993 by and between SOCH and the Authority, as amended by the First Supplement to Loan and Security Agreement and Mortgage and Mortgage Modification Agreement dated as of November 15, 1997 (together, the **"1997 Loan and Security Agreement and Mortgage"**) relating to a loan made by the Authority to SOCH (the **"1997 Loan"**) from the proceeds of the $13,860,000 New Jersey Health Care Facilities Financing Authority Revenue Bonds, Southern Ocean County Hospital Issue, Series 1997 dated December 18, 1997 (the **"Series 1997 Bonds"**). The Series 1997 Bonds were issued under and pursuant to the Authority's General Health Care Facilities Registered Bond Resolution adopted on October 29, 1992 (the **"General Resolution"**) and a Series Resolution adopted October 30, 1997 (the **"1997 Series Resolution**") for the purpose of, among other things, financing the cost of acquisition of land, and construction of an approximately 16,000 square foot ambulatory building thereon in Little Egg Harbor, New Jersey, various renovations to a portion of the SOCH facilities (the **"Facilities"**) and the financing of the acquisition of equipment to be used at the Facilities;

WHEREAS, SOCH also received financial assistance from the Authority pursuant to a Second Supplement to Loan and Security Agreement and Mortgage dated as of July 1, 2001, which supplemented the 1997 Loan and Security Agreement and Mortgage (the **"2001 Loan and Security Agreement and Mortgage"** and together with the 1997 Loan and Security Agreement and Mortgage, the **"Amended Loan and Security Agreement and Mortgage"**), relating to a loan made by the Authority to SOCH (the **"2001 Loan"**) from the proceeds of $25,815,000 New Jersey Health Care Facilities Financing Authority Revenue Bonds, Southern Ocean County Hospital Issue, Series 2001 dated July 26, 2001 (the **"Series 2001 Bonds"**). The Series 2001 Bonds were issued under and pursuant to the General Resolution and a Series Resolution adopted June 28, 2001 (the **"2001 Series Resolution"** and together with the 1997 Series Resolution, the **"Series Resolutions"**) for the purpose of, among other things, financing the cost of construction of a new approximately 90,000 square foot four story building and acquisition of capital equipment, as well as renovations and improvements to existing SOCH Facilities;

WHEREAS, SOCH has also obtained financial assistance from the Authority pursuant to a Loan Agreement dated as of May 1, 2006 (the **"2006 Loan Agreement"**) by and between SOCH and the Authority relating to a loan by the Authority to SOCH (the **"2006 Loan"**) from the proceeds of the Authority's $18,390,000 Variable Rate Revenue Bonds, Southern Ocean

County Hospital Issue, Series 2006 dated May 18, 2006 (the **"Series 2006 Bonds"**). The Series 2006 Bonds were issued pursuant to a Trust Indenture dated as of May 1, 2006 (the **"2006 Trust Indenture"**) between the Authority and U.S. Bank National Association, as successor bond trustee to Wachovia Bank, National Association, and are secured by a letter of credit issued pursuant to a Reimbursement, Credit and Security Agreement between Wachovia Bank, N.A., as letter of credit bank (the **"Letter of Credit Bank"**), and SOCH dated as of May 1, 2006 (the **"Reimbursement Agreement"**) for the purpose of refunding the Authority's Revenue Bonds, Southern Ocean County Hospital Issue, Series A originally issued May 1, 1993;

WHEREAS, Meridian Hospitals Corporation, is a nonprofit corporation duly organized and validly existing under the laws of the State of New Jersey (**"MHC"**);

WHEREAS, effective January 1, 2010, SOCH has become a wholly owned subsidiary of MHC and effective on or about April 1, 2010, SOCH desires to merge with and into MHC with MHC as the surviving corporation (the **"Proposed Merger"**);

WHEREAS in order to effect the Proposed Merger, SOCH and MHC have proposed (a) that SOCH will become an obligated group member along with MHC and Meridian Nursing and Rehabilitation, Inc. under a Fourth Supplemental Indenture Constituting the Amended and Restated Master Trust Indenture dated as of July 1, 1999 by and among the Obligated Group and The Bank of New York Mellon, as Master Trustee (as amended and supplemented from time to time as permitted therein, the **"Master Indenture"**) and (b) that SOCH subsequent to joining the Obligated Group under the Master Indenture merge with and into MHC pursuant to an Agreement and Plan of Merger to be filed with the New Jersey Secretary of State;

WHEREAS, in connection with the Proposed Merger, SOCH has requested (a) the consent of Assured Guaranty Corp., as successor in interest to Financial Security Assurance, Inc., the bond insurer for the Series 1997 Bonds, (b) the consent of Radian Asset Assurance Inc., as successor in interest to Asset Guaranty Insurance Company, the bond insurer for the Series 2001 Bonds and (c) the consent of the Letter of Credit Bank providing the letter of credit securing the Series 2006 Bonds to accept Notes issued under the Master Indenture and a replacement Mortgage and Security Agreement granted by SOCH to the Master Trustee in place of the Amended Loan and Security Agreement and Mortgage securing the Series 1997 Bonds and Series 2001 Bonds, and the Mortgage and Security Agreement dated as of May 1, 2006, securing the Letter of Credit Bank (the **"2006 Mortgage"**);

WHEREAS, in connection with the Proposed Merger, SOCH has requested that the Authority discharge the 1997 Loan and Security Agreement and Mortgage and execute a replacement loan agreement with respect to the 1997 Loan (the **"Replacement 1997 Loan Agreement"**) along with an Assignment relating to the Replacement 1997 Loan Agreement (the **"Replacement 1997 Assignment"**) to U.S. Bank National Association, the Bond Trustee for the Series 1997 Bonds;

WHEREAS, in connection with the Proposed Merger, SOCH has also requested that the Authority discharge the 2001 Loan and Security Agreement and Mortgage and execute a replacement loan agreement with respect to the 2001 Loan (the **"Replacement 2001 Loan Agreement"**) along with an Assignment relating to the Replacement 2001 Loan Agreement (the **"Replacement 2001 Assignment"**) to U.S. Bank National Association, the Bond Trustee for the Series 2001 Bonds;

WHEREAS, in connection with the Proposed Merger, SOCH has also requested that the Authority (a) cancel the 2006 Loan Agreement, (b) cancel its participation in a certain Intercreditor Agreement dated as of May 1, 2006 by and between the Letter of Credit Bank, the Authority, U.S. Bank National Association, the Bond Trustee (**"Intercreditor Agreement"**) and the Swap Providers (as defined in the Intercreditor Agreement), relating to the Amended Loan and Security Agreement and Mortgage and the 2006 Mortgage, which 2006 Mortgage is on parity with the Amended Loan and Security Agreement and Mortgage and is being discharged with the written consent of the Letter of Credit Bank, and (c) execute a loan agreement with respect to the 2006 Loan as replacement for the 2006 Loan Agreement (the **"Replacement 2006 Loan Agreement"** and together with the Replacement 1997 Loan Agreement, and the Replacement 2001 Loan Agreement, the **"Replacement Loan Agreements"**) along with an Assignment relating to the Replacement 2006 Loan Agreement (the **"Replacement 2006 Assignment"** and together with the Replacement 1997 Assignment and Replacement 2001 Assignment the **"Replacement Assignments"**) to U.S. Bank National Association, the Bond Trustee for the Series 2006 Bonds;

WHEREAS, in connection with the execution and delivery of the Replacement Loan Agreements and Replacement Assignments, it is necessary that the Authority amend certain terms and definitions contained in the Series Resolutions to reflect the discharge and replacement of the Amended Loan and Security Agreement and Mortgage and the 2006 Loan Agreement thereby; and

WHEREAS, in connection with the execution and delivery of the Replacement Loan Agreements it is necessary that the Authority and U.S. Bank National Association, the Bond Trustee execute a First Modification to the Trust Indenture (the **"First Modification to Trust Indenture"**) dated as of May 1, 2006 (the **"2006 Trust Indenture"**) to amend and replace certain defined terms contained in the 2006 Trust Indenture.

NOW, THEREFORE BE IT RESOLVED by the New Jersey Health Care Facilities Financing Authority as follows:

Section 1. Approval of Replacement Loan Agreements, Replacement Assignments and First Modification to Trust Indenture. (a) The forms of the Replacement Loan Agreements and First Modification to Trust Indenture presented to this meeting (a copy of each of which shall be filed with the records of the Authority) are hereby approved and the Chairman, Vice Chairman, Executive Director or Deputy Executive Director (each, an "Authorized Officer") are each hereby authorized and directed to execute, acknowledge and deliver, and the Secretary or Assistant Secretary are each hereby authorized and directed to affix and attest the seal of the Authority to each of the Replacement Loan Agreements, Replacement Assignments and First Modification to 2006 Trust Indenture, as applicable, in substantially such forms, with such changes therein as bond counsel and the Deputy Attorney General may advise and the officers executing the same may approve, such approval to be evidenced by their execution thereof.

(b) Notwithstanding anything hereinabove to the contrary, the above authorization to execute the Replacement Loan Agreements, Replacement Assignments and the First Modification to Trust Indenture is conditioned upon the receipt by an Authorized Officer of the Authority of (i) an opinion of Windels Marx Lane & Mittendorf, LLP, bond counsel, to the effect that the Authority's execution of the Replacement Loan Agreements, Replacement Assignments and the First Modification to Trust Indenture, and the merger of SOCH with and into MHC will not, in and of itself, adversely affect the tax-exempt status of interest on the

Series 1997 Bonds, the Series 2001 Bonds and the Series 2006 Bonds for federal income tax purposes and (ii) as to the Replacement 1997 Loan Agreement, the consent of Assured Guaranty Corp., the bond insurer for the Series 1997 Bonds, (iii) as to the Replacement 2001 Loan Agreement, the consent of Radian Asset Assurance Inc., the bond insurer for the Series 2001 Bonds and (iv) as to the First Modification to the Trust Indenture, the consent of Wachovia Bank, N.A., the provider of an irrevocable direct-pay letter of credit securing the Series 2006 Bonds, and the approval of U.S. Bank National Association, the Bond Trustee for the Series 2006 Bonds (such approval to be evidenced by its execution of the First Modification to Trust Indenture).

Section 2. Amendments to Certain Defined Terms. (a) The below defined terms contained in the Series Resolutions and in the forms of the Series 1997 Bonds and Series 2001 Bonds, as applicable, are hereby amended, and all references to such definitions throughout the Series Resolutions shall be deemed to refer to such amended terms, as follows:

(i) the term "Agreement and Mortgage" is hereby deleted in its entirety and replaced with two separate terms as follows:

> ""Agreement" means the Loan Agreement dated as of March [31], 2010 by and between Southern Ocean County Hospital and the Authority."; and

> ""Mortgage" means the Mortgage and Security Agreement dated as of March [31], 2010 by and between Southern Ocean County Hospital and The Bank of New York Mellon, as Master Trustee";

(ii) the term "First Supplement" is hereby deleted in its entirety;

(iii) the term "Mortgaged Property" is hereby amended and restated in its entirety as follows:

> ""Mortgaged Property" means the premises described in the Mortgage.";

(iv) the term "Original Agreement and Mortgage" is hereby deleted in its entirety;

(v) the term "Pledged Property" is hereby amended and restated in its entirety as follows:

> ""Pledged Property" means the Pledged Property as defined in the Mortgage.";

(vi) with respect to the definitions set forth in the 2001 Series Resolution, the term "Second Supplement" is hereby deleted in its entirety.

Section 3. As required by Section 5.1 of the 2006 Loan Agreement, the Authorized Officers of the Authority are hereby authorized to execute a written consent to the merger of SOCH with and into MHC, subject, however, to receipt of a written consent from Wachovia Bank, N.A., the provider of the direct-pay letter of credit securing the Series 2006 Bonds as to such merger.

Section 4. Incidental Action. The Authorized Officers of the Authority are hereby authorized and directed to execute and deliver such other documents, including without limitation, any documents required to discharge the Amended Loan and Security Agreement and Mortgage, to effect cancellation of the Intercreditor Agreement, and to take such other action as may be necessary or appropriate in order to effectuate the actions contemplated by this Resolution, all in accordance with the foregoing sections hereof.

Section 5. Prior Resolutions. All prior resolutions of the Authority or portions thereof inconsistent herewith are hereby replaced.

Section 6. Effective Date. This Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.