Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on June 24, 2010 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** *were in attendance:*
Chairman Poonam Alaigh, Commissioner of Health and Senior Services; Vice-Chairman Gus Escher, Public Member; Suzette Rodriguez, Public Member (via telephone); Maryann Kralik, Designee of the Department of Banking and Insurance, and Eileen Stokley, Designee of the Commissioner of Human Services (via telephone);

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Steve Fillebrown, Lou George, Suzanne Walton, Bill McLaughlin, Carole Conover, Michael Ittleson, Ron Marmelstein, Lori Jefferson, Brooke Liebowitz, Arvella King, and Edwin Fuentes,

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones, Deputy Attorney General; Tom Hower, Governor's Authorities Unit; Kay Fern, Evergreen Financial Services; Marcello Guarneri and Joe Lemaire, Holy Name Medical Center; Liza Wolf, Cozen O'Connor, Carl O'Brien, Robert Wood Johnson Medical Center; Maryann Kicenuik and Gary Walsh, Windels, Marx, Lane & Mittendorf; Bob Glenning, Hackensack University Medical Center; and Kevin Connell, RBC Capital Markets

CALL TO ORDER

Chairman 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 27, 2010 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
May 27, 2010 Authority Meeting

Minutes from the Authority's May 27, 2010 meeting were presented for approval. Mr. Escher offered a motion to approve the minutes; Ms. Kralik seconded. The minutes were approved unanimously.

2. TEFRA HEARING & CONTINGENT BOND SALE

Hackensack University Medical Center

Mr. McLaughlin began his presentation by reminding Members that at the Authority's November 2009 meeting, Members approved the contingent sale of an interest rate sensitive, $80 million refunding on behalf of the Hackensack University Medical Center (the "Medical Center"). However, the time allotted in the Series Resolution for the signing of a bond purchase contract has since elapsed. During the April 2010 meeting, Members approved the contingent sale of a $225 million refunding on behalf of the Medical Center. At that time it was anticipated that the transaction would be sold on the basis of the Medical Center's credit rating and that the Loan Agreement would include the Authority's standard covenants for unenhanced transactions.

Mr. McLaughlin reported that since that time, representatives of the Medical Center contacted staff to notify the Authority of their intention to pursue credit enhancement for the proposed transaction. The transaction documents approved by the Members at the April 2010 meeting did not include provisions for the possibility of securing credit enhancement for the transaction.

Mr. McLaughlin added that since negotiations with potential credit-enhancers are in the initial stages, no detail on covenants or provisions is available for use in drafting the supporting transaction documents. Because of this, Mr. McLaughlin asked Members to approve a "Resolution Providing for Additional Provisions with Respect to the Authority's Previously Authorized Revenue and Refunding Bonds, Hackensack University Medical Center Issue Series 2010." This resolution provides approval for Authorized Officers to amend the supporting transaction documents to reflect the requirements of the credit enhancer without another presentation to the Authority. Should the Medical Center be unsuccessful in securing credit-enhancement for the proposed transaction, the form of the transaction approved at the April 2010 meeting will prevail, and will include the Authority's standard covenants for unenhanced transactions.

Commissioner Alaigh asked the Members' pleasure with respect to the adoption of the resolution providing for additional provisions with respect to the Authority's previously authorized revenue and refunding bonds, Hackensack University Medical Center Issue Series 2010. Mr. Escher offered a motion to adopt the resolution; Ms. Kralik seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. KK-01

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the "RESOLUTION PROVIDING FOR ADDITIONAL PROVISIONS WITH RESPECT TO THE AUTHORITY'S PREVIOUSLY AUTHORIZED REVENUE AND REFUNDING BONDS, HACKENSACK UNIVERSITY MEDICAL CENTER ISSUE SERIES 2010."

(attached)

Commissioner Alaigh asked the Members' pleasure with respect to the adoption of the resolution naming RBC Capital Markets as an additional co-manager for the Hackensack University Medical Center transaction. Mr. Escher offered a motion to adopt the resolution; Ms. Kralik seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. KK-02

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the naming of RBC Capital Markets as an additional co-manager for the Hackensack University Medical Center transaction.

Commissioner Alaigh closed the public hearing held on behalf of Hackensack University Medical Center in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended.

Mr. Glenning, Executive Vice President and Chief Financial Officer of Hackensack University Medical Center thanked the Authority staff for their help in allowing the Medical Center to take advantage of lower interest rates.

3. NEGOTIATED SALE REQUESTS & INFORMATIONAL PRESENTATIONS

a. Holy Name Medical Center

Mr. Hopkins introduced Joseph Lemaire, Executive Vice President and Chief Financial Officer for Holy Name Medical Center and informed Members to be aware that his presentation will serve as both a negotiated sale request and an informational presentation.

Mr. Hopkins reported that Holy Name Medical Center ("Holy Name") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing in the approximate amount of $52 million. The proceeds of the financing will be used to refund approximately $19.7 million remaining in bonds issued by the Authority on behalf of Holy Name in 1997 and approximately $30.2 million in bonds issued by the Authority on behalf of Holy Name in 2008. Bond proceeds are also expected to be used to pay certain costs of issuance and to fund a Debt Service Reserve Fund. Mr. Hopkins noted that it is possible, if market conditions prove favorable, that Holy Name will increase the requested amount of bonds in order to refund all or part of the $6.65 million of 2006A-6 bonds issued by the Authority on behalf of Holy Name's subsidiary FitnessFirst Oradell Center and/or to finance certain capital budget items at Holy Name.

Mr. Hopkins reported that the 1997 bonds were issued to: (i) refund bonds issued in 1989 and 1990; (ii) refinance a capital asset loan made in 1994; (iii) finance the purchase of capital equipment and renovations needed to establish a cardiac catheterization unit at Holy Name; and (iv) finance renovations to establish a sub-acute care unit within Holy Name. He further reported that the 2008 bonds were issued to (i) refund a portion of the 1997 bonds; and (ii) refinance a conventional loan from UBS Loan Finance LLC which was used to refinance a portion of the 1997 bonds.

Holy Name is a 361 bed, not-for-profit general acute care hospital located in Teaneck, New Jersey. It provides a full spectrum of inpatient, ambulatory care, home care, and community services. In addition to its general medical, surgical, obstetrical, gynecological, pediatric and psychiatric services, the Hospital offers a wide array of diagnostic and treatment modalities and various specialty services. Holy Name is a subsidiary of Sisters of St. Joseph of Peace Health Care System.

As of March 31, 2010, Holy Name had a total of approximately $109.7 million of bonds issued by the Authority outstanding, including $19.7 million of bonds issued in 1997, $60 million of bonds issued in 2006 and $30 million of bonds issued in 2008. The 1997 and 2008 bonds are expected to be refunded in their entirety through the issuance of the bonds currently under consideration. Holy Name is also the sole member of FitnessFirst Oradell Center, on behalf of which the Authority issued COMP bonds in 2006, of which $6.65 million remains outstanding.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, Holy Name generated excess revenues over expenses of nearly $8 million in 2009 and a deficiency of revenues over expenses of approximately $9.3 million in 2008. Despite the overall loss in 2008, Holy Name had an operating gain of nearly $1.5 million, which was offset by a non-operating loss of $1 million, loss on extinguishment of debt of nearly $1 million and a net change in the fair value of derivative instruments of negative $8.8 million. In 2007, Holy Name had a nearly $2.8 million operating loss due primarily to volume decreases and a lag between those decreases and adjustments to staffing and supplies as well as a higher than expected bad debt.

Unaudited consolidated financial information through April 2010 shows excess revenues over expenses of approximately $1 million.

Holy Name has asked that the Authority permit the use of a negotiated sale based on volatile market conditions. This reason is considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale. With this justification, Mr. Hopkins recommended the consideration of the resolution approving the use of a negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins added that after performing a competitive process, Holy Name selected Bank of America Merrill Lynch to serve as Senior Managing Underwriter for the bonds. Holy Name also requested and received the approval of the Attorney General's office to have the law firm of Windels, Marx, and Lane & Mittendorf serve as bond counsel.

Commissioner Alaigh asked the Members' pleasure with respect to the adoption of the resolution supporting the issuance of revenue bonds by negotiated transaction pursuant to Executive Order #26 on behalf of Holy Name Medical Center. Mr. Escher offered a motion to adopt the resolution; Ms. Kralik seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. KK-03

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the attached form of the "RESOLUTION TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURUANT TO EXECUTIVE ORDER #26."
>
> *(attached)*

Mr. Lemaire thanked Authority staff for providing them the opportunity to take advantage of the favorable rate environment.

b. <u>Robert Wood Johnson University Hospital</u>

Mr. Hopkins introduced Carl O'Brien, Corporate Vice President of Finance, for Robert Wood Johnson University Hospital, and reminded Authority Members to be aware that his presentation will serve as both a negotiated sale request and as an informational presentation.

Mr. Hopkins informed Members that Robert Wood Johnson University Hospital ("RWJ") signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing in the approximate amount of $132 million. The proceeds of the financing will be used to refund approximately $129,640,000 in bonds issued by the Authority on behalf of RWJ in 2000. Bond proceeds are also expected to fund a Debt Service Reserve Fund and pay costs of issuance.

The 2000 bonds were issued to: (i) construct and equip a 140,000 square foot, six floor children's hospital; (ii) construct and equip a 204,800 square foot, nine floor oncology hospital, along with related facilities including a cafeteria and administrative space; (iii) fund capitalized interest; (iv) fund a Debt Service Reserve Fund; and (v) pay certain costs of issuance of the 2000 bonds.

Mr. Hopkins reminded Members that RWJ is a New Jersey not-for-profit corporation currently operating a 583 bed academic medical center in New Brunswick, New Jersey. As of March 31, 2010, RWJ had a total of approximately $195.3 million of bonds issued by the Authority outstanding, including $3 million of Series C bonds issued in 1996, $129.6 million of bonds issued in 2000, $19 million of COMP bonds issued in 2003 and $43.7 million of bonds issued in 2004. Mr. Hopkins expects the 2000 bonds to be refunded in their entirety through the issuance of the bonds currently under consideration.

According to the audited financial statements provided with the Memorandum of Understanding, RWJ generated excess revenues over expenses of approximately $93.5 million for 2009 and a deficiency of revenues of approximately $74.7 million for 2008. The 2008 loss was comprised of a $3.4 million operating loss and a $77.7 million loss on investments (primarily unrealized losses). According to RWJ, the $3.4 million operating loss was primarily due to the elimination of an oncology grant and operating expenses related to the RWJ's affiliation with UMDNJ. The unaudited operating information of RWJ through March of 2010 shows an excess of revenues over expenses of approximately $2.5 million.

RWJ has asked that the Authority permit the use of a negotiated sale based on: (i) volatile market conditions and (ii) the large issue size. These reasons are considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale. Mr. Hopkins recommended to Members the consideration of the resolution approving the use of a negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins added that after performing a competitive process, RWJ has selected J.P. Morgan Securities, Inc. as Senior Managing Underwriter for the bonds.

Commissioner Alaigh asked the Members' pleasure with respect to the adoption of the resolution supporting the issuance of revenue bonds by negotiated transaction pursuant to Executive Order #26 on behalf of Robert Wood Johnson University Hospital. Mr. Escher offered a motion to adopt the resolution; Ms. Kralik seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. KK-04

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the attached form of the "RESOLUTION TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURUANT TO EXECUTIVE ORDER #26."

(attached)

Mr. Lemaire thanked Authority staff for their efforts on behalf of Robert Wood Johnson University Hospital.

4. AMENDMENT TO ST. MARY'S LOAN AGREEMENT, THE MORTGAGE AND SECURITY AGREEMENT, AND THE SECOND SUPPLEMENTAL INDENTURE

Bill McLaughlin reported to members that as the result of the bankruptcy filing concerning St. Mary's Hospital, the Authority and the Treasurer of the State of New Jersey have agreed to a modified loan repayment schedule that was a part of the reorganization plan approved by the Bankruptcy Court. The Authority staff is requesting that Members approve modifications to the Loan Agreement, the Mortgage and Security Agreement, and the Second Supplemental Indenture that will cause the loan documents to be in accord with Plan approved by the Court. Under the revised documents, the Hospital's payment schedule will be $2.6 million debt service in 2010; $1.833 million in 2011; $2.2 million for the years 2012 through 2038; and a final year payment of $2.167 million. The imputed interest rate for the loan, based on this repayment schedule is approximately 2.9%. Mr. McLaughlin stated that although the final maturity has been extended from 2027 to 2039, it is not expected that the Authority will experience any loss of principal on the loan as the result of the bankruptcy.

Authority staff is recommending the Members approve: (i) Amendment No. 1 to the Loan Agreement, (ii) Second Amended and Restated Mortgage and Security Agreement, and; (iii) Amendment No.1 to the Second Supplemental Indenture.

Mr. Escher asked for further clarification of the St. Mary's loan repayment schedule. Mr. Hopkins explained that under the reorganization plan approved by the bankruptcy court, St. Mary's was allowed to modify the terms of the payment schedule from the original schedule of $3.6 million a year over 18 years to an average of $2.2 million over 30 years.

Commissioner Alaigh asked the Members' pleasure with respect to the adoption of the resolution supporting the modification of the Loan Agreement, the Mortgage and Security Agreement, and the Second Supplemental Indenture between the Authority and St. Mary's Hospital. Mr. Escher offered a motion to adopt the resolution; Ms. Kralik seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. KK-05

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the attached resolution supporting the modification of the Loan Agreement, the Mortgage and Security Agreement, and the Second Supplemental Indenture between the Authority and St. Mary's Hospital.

(attached)

5. MODIFICATION OF QUALIFIED BANKERS LIST

Lou George reported that the Authority received a request from Stern Brothers & Co. to be added to the list of approved Authority bankers to serve as a Senior Manager, Placement Agent, Co-Manager, and Remarketing Agent. Stern Brothers is an investment banking firm headquartered in St. Louis with eleven offices nationwide. The firm does not have a New Jersey presence, and the Senior Banker and primary contact is Arlan Dohrmann, the head of the firm's Health Care Division, located in Chicago. As of February the firm had excess net capital of $3.5 million which they indicated would give them the ability to underwrite in excess of $100 million of bonds. Within the last six months, they senior managed a $28 million acute care hospital transaction in Missouri and co-managed another $17.7 million composite financing.

After reviewing their response to our Request for Qualifications, Mr. George stated that he finds the firm qualified to serve in the capacities requested. Mr. George noted as a matter of reference that the Authority currently has a list of 31 firms qualified to serve as a Senior Manager. From this list, borrowers coming to the Authority typically submit a RFP to at least three firms before ultimately selecting one firm to serve as their Senior Manager.

Mr. Escher praised the Authority policy of adding firms to the qualified bankers list on a rolling basis. Mr. Hopkins added that the practice of continually adding to the list of qualified bankers provides borrowers with more choice. Mr. Hopkins noted that qualified firms must report any significant personnel or policy changes to the Authority on an annual basis and that Authority staff continually reviews firms to ensure that they still meet the qualifications of the Authority.

Mr. Escher offered a motion to approve the addition of Stern Brothers & Co. to the list of approved Authority bankers to serve as a Senior Manager, Placement Agent, Co-Manager, and Remarketing Agent. Ms. Kralik seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. KK-06

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority added Stern Brothers & Co. to the list of approved Authority bankers to serve as a Senior Manager, Placement Agent, Co-Manager, and Remarketing Agent.

6. APPROVAL OF DIVISION OF LAW AGREEMENT FOR 2011

Ron Marmelstein directed the Members attention to a memo Authority staff received from the Division of Law in the Department of Law and Public Safety, which includes the Division of Law's proposed Client Agency Agreement for legal services to be provided to the Authority for the period from July 1, 2010 to June 30, 2011.

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

The estimated annual cost of $250,893 reflected in the agreement is based on the average cost of all deputies presently on staff. In comparison, the estimated fees for the 2010 fiscal year were $249,678. On a fiscal year basis through June 30, 2010, actual fees from the Attorney General's office have been $51,930 compared to the $70,147 that was paid for the same period in 2009.

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

AB RESOLUTION NO. KK-07

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the proposed Division of Law Agreement, as recommended by staff, for the period from July 1, 2010 to June 30, 2011.

7. CORPORATE BANKING RESOLUTIONS & SIGNATURE CARDS

Commissioner Alaigh reminded the Members that every year, after the May election of Authority Officers, staff must provide the Authority's bank with new corporate banking resolutions and signature cards. Mr. Escher offered a motion to adopt these updated resolutions; Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-08

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby adopts corporate banking resolutions as a result of the May 2010 election of officers.

8. RESOLUTION OF APPRECIATION – JIM VAN WART

Commissioner Alaigh reminded the Members that Jim Van Wart, the Authority's Director of Operations and Finance will be retiring from the Authority after more than 18 years of service and asked Mr. Escher to read a Resolution of Appreciation (attached) on Mr. Van Wart's behalf.

Commissioner Alaigh offered a motion to adopt the Resolution of Appreciation on behalf of Jim Van Wart; Mr. Escher seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. KK-09
(attached)

9. AUTHORITY EXPENDITURES

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

AB RESOLUTION NO. KK-10

> **WHEREAS,** the Authority has reviewed memoranda dated June 17, 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, $62,125.56 and $13,945.11 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.

10. STAFF REPORTS

Commissioner Alaigh thanked staff for the Project Development Summary, Cash Flow Statement, and Legislative Advisory.

Mr. Hopkins then presented his Executive Director's Report which noted that on June 19, 2010 the Ridgewood planning board amended its Master Plan to allow Valley Hospital to build the new buildings proposed in its revised hospital plan. The Master Plan amendment will also have to be approved by the Ridgewood Village council. Valley is planning a $750 million construction project to replace much of the hospital in its existing site.

Mr. Hopkins also reported that on June 7th, Bayonne Medical Center paid off the remaining $1.4 million balance of the $2.5 million loan the Authority provided to it in late 2007. Mr. Escher asked if this money could be added to the pool of funds used for the Authority's Federally Qualified Healthcare Center ("FQHC") loan program. Mr. Hopkins replied that the money could be used for the FQHC program and that Authority staff was currently preparing to discuss with the Commissioner whether or not she would like to have the Authority consider applying the balance of the Bayonne Medical Center loan repayment to the FQHC fund.

This concluded the Executive Director's report.

As there was no further business to be addressed, following a motion by Mr. Escher and a second by Ms. Kralik, the Members voted unanimously to adjourn the meeting at 10:53 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 JUNE 24, 2010.

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Carole A. Conover
Assistant Secretary