Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on November 17, 2011 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

*The following **Authority Members** were in attendance:*
Gus Escher, Public Member (Chairing); William Conroy, Designee of the Commissioner of Health and Senior Services; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Greg Lovell, Designee of the Commissioner of Human Services; Dr. Munr Kazmir, Public Member.

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

*The following **representatives from the State and/or the public** were in attendance:*
Cliff Rones, Deputy Attorney General; Brandon Minde, Governor's Authorities Unit; Ryan Feeney, NJ Treasury Department; Joseph Lario, Department of Health and Senior Services; Sue Tonry; Tom Scott, Barnabas Health; Gary Walsh, Windels Marx Lane & Mittendorf; Bob Palermo, Russ Molloy, Chris Everitt and Frank Pipas, Meridian Health System; John Kelly, Wilentz; Jim Foley, Shore Medical Center; John Draikiwicz, Gibbons P.C.; Joe McCarthy, AtlantiCare Health System; Bruce Traub, Princeton HealthCare System; Erica Craner, Marsh USA; Nick Warner, Brian Carter and Safi Najdawi, Jack Swire, Wells Fargo Securities; Scott Kobler and Kevin Quinn, McCarter & English; Glenn Wagner, Kaufman Hall; Danielle Cheung, JP Morgan; Paul Anzano, PQA; Kristin DiSandro, JNESCO; via telephone: Tracy Williams, Marsh USA; Lisa Udouj, Chartis.

CALL TO ORDER

Vice-Chairman Gus Escher called the meeting to order at 10:06 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 26, 2011 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and *Courier Post,* enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

1. APPROVAL OF MINUTES
<u>October 27, 2011 Authority Meeting</u>

Minutes from the Authority's October 27, 2011 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Mr. Conroy seconded. The vote was unanimous and the motion carried.

2. TEFRA HEARING & CONTINGENT BOND SALES

a. Barnabas Health Master Leasing Program

Mr. Escher announced that the following portion of the meeting would be considered a public hearing in connection with the proposed transactions on behalf of Barnabas Health and Shore Memorial Medical Center. 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.

Ms. Walton introduced Tom Scott, Senior Vice President Corporate Finance from Barnabas Health.

She informed Members that over the past few months, staff has been working with Windels Marx Lane & Mittendorf, bond counsel, to structure a tax-exempt leasing program (the "Program"). The Program is intended to provide a lower cost and a timelier financing vehicle for Sublessees as compared to taxable loans and leasing programs.

Under the leasing program, a Sublessee would enter into a purchase contract with a vendor to acquire certain pieces of equipment. In order to finance the cost of the equipment, the Sublessee will enter into an arrangement to lease various pieces of equipment from time to time from a Lessor (for example, GE Capital). The form of this leasing arrangement, in order to procure a lower rate of leasing, will be in the form of the Master Lease whereby the Lessor (GE Capital) will lease each piece of equipment to the Authority (the "Lessee") and the Authority will sublease the applicable piece of equipment to a designated Sublessee pursuant to separate schedule, a form of which is appended to the Master Lease. The purpose for the Authority as the "Lessee" is to assure that the interest portion of the lease payments will be exempt from federal income taxes. Under the Master Lease and respective schedule, title to the equipment will immediately vest in the Sublessee, subject to the rights of the Lessor in having a valid security interest in such equipment until final payment is made by the Sublessee under the Master Lease and respective schedule. The Authority's obligation under the Master Lease is solely to pass through the lease payments received from the Sublessee to the Lessor. The respective Sublessee has all of the obligations regarding maintenance of the equipment, lease payments, actions upon default, etc. as are normally imposed upon a lessee of equipment. The Authority has no such obligations and is to be fully indemnified by the Sublessees.

Ms. Walton stated that she was requesting the Board's authorization to enter into one or more Master Lease Agreements with Saint Barnabas Corporation (Barnabas Health) as a Sublessee and representative of other entities of the Barnabas Health System as Sublessees in an aggregate amount not to exceed $70 million at interest rates not in excess of 12%. The Authority will provide funds through one or more Master Lease Agreements, among one or more lessors, which, together with other funds provided by the Sublessee, will be used to (1) finance the costs of leasing health care equipment to the respective Sublessee, including, but not limited to, equipment for radiology, cardiology, pediatric, obstetrics, nuclear medicine, oncology and general medicine purposes and for computer related purposes and (2) finance legal, accounting, consulting and other administrative costs related to the tax-exempt leasing program.

Saint Barnabas has received funding commitments from two to four firms who are interested in participating in the Program as Lessors. It is possible that other funding commitments will be received in the future. The authorization being sought today would permit additional Master Leases to be entered into with any such entities, so long as a funding commitment acceptable to Barnabas Health and the appropriate authorized officers of the Authority is received, so long as the aggregate amount permitted under all of the Master Lease Agreements does not exceed $70 million.

She then asked Gary Walsh of Windels Marx Lane & Mittendorf to summarize the authorizing resolution with respect to the establishment of the tax-exempt leasing program.

TAX EXEMPT LEASING PROGRAM RESOLUTION

Gary Walsh, Esq. of Windels Marx Lane & Mittendorf stated that the Resolution authorizes the Authority to proceed with the establishment of the tax-exempt leasing program and to lease and sublease equipment pursuant to one or more Master Lease Agreements.

In addition, the Resolution authorizes the appropriate authorized officers of the Authority to enter into one or more Master Lease Agreements in substantially the form presented to the meeting, with such changes as counsel may advise and the officers executing the same may approve with approved Lessors that have provided the appropriate commitment letters relating to the lease and sublease of equipment to Saint Barnabas Corporation and any applicable Sublessee in an aggregate amount of not to exceed $70 million at interest rates not in excess of 12%.

Finally, the Resolution authorizes the execution and delivery of such other documents, including schedules to the Master Lease Agreement and any other ancillary documents (including without limitation an Escrow Agreement, if necessary) and to take such action as may be necessary or appropriate in order to effectuate the execution and delivery of the Agreement.

Mr. Conroy asked if the program would be system-wide or if there were specific facilities that Barnabas had in mind. Mr. Scott responded that the program would be initiated across all tax-exempt affiliates within their system. By working along with the Authority on this program, it will allow them to lease on a tax-exempt basis and take advantage of significant savings from an interest rate standpoint.

Mr. Escher asked if there were any questions or comments from the public. Hearing none, Mr. Escher asked the Members' pleasure with respect to the adoption of the Resolution on behalf of Barnabas Health. Dr. Kazmir made a motion to approve the Resolution. Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-32

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY TAX EXEMPT LEASING PROGRAM, SAINT BARNABAS CORPORATION."

(attached)

Mr. Scott thanked the Authority Board and Staff, particularly Ms. Suzanne Walton and Mr. Lou George who had done a great job. He stated that this was ground-setting work and they put in place a program that will not only benefit Barnabas Health, but will make tax-exempt leasing available to other hospitals in New Jersey who should also be able to save money.

b. Shore Medical Center

Mr. Bill McLaughlin introduced Mr. James Foley, Senior Vice President Finance and Chief Financial Officer from Shore Memorial Medical Center.

Mr. McLaughlin informed the members that today he would be requesting approval of a contingent sale of bonds on behalf of the Shore Memorial Hospital Obligated Group, doing business as Shore Medical Center. The Medical Center operates a 296-bed acute-care facility in Somers Point. He reminded the Members that Shore had recently completed a major expansion project which included the construction of a surgical center and a parking garage. The construction costs for the surgical center totaled approximately $56 million with $45 million being financed by the Authority through two separate private placements with TD Bank in 2009 and 2010. He also stated that the Authority did not provide any financing for the parking garage.

Mr. McLaughlin then stated that the proposed transaction will be comprised of an approximately $13,000,000 tax-exempt private placement with General Electric Government Finance that will be used to reimburse the costs to construct and equip a parking garage and pay the related costs of issuance.

Mr. McLaughlin turned the presentation over to John Draikiwicz of Gibbons P.C., the Bond Counsel, to present the Bond Resolution pertaining to this transaction.

BOND RESOLUTION

John Draikiwicz of Gibbons P.C. stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2011 Bonds in an aggregate principal amount, not in excess of $15,000,000 and at an interest rate not to exceed 6.00% per annum. The Series 2011 Bonds will have a final maturity date of no later than July 1, 2023 and be subject to redemption prior to maturity as set forth therein, provided, that the redemption price cannot be greater than 105%. The Series 2011 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 Bond Trustee pursuant to the Trust Agreement. Additional security will include a gross receipts pledge together with a mortgage on certain Hospital property.

Additionally, the Bond Resolution approves the form of and authorizes the execution of the Series 2011 Bonds, Trust Agreement and Loan Agreement. Further, the Bond Resolution appoints The Bank of New York Mellon as Bond Trustee, Bond Registrar and Paying Agent for the Bonds. In addition, it authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Loan Agreement, the financing of the Project and the issuance of the Series 2011 Bonds.

Mr. Escher asked if there were any questions or comments from the public. Hearing none, Mr. Escher asked the Members' pleasure with respect to the adoption of the Bond Resolution on behalf of Shore Memorial Medical Center. Dr. Kazmir made a motion to approve the Bond Resolution. Mr. Lovell seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-33

> **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, SHORE MEMORIAL HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2011."
>
> *(attached)*

Mr. Foley expressed Shore's appreciation to the Authority Board and Staff. He stated that they would be able to use these funds to replenish their cash and use it for future capital purchases and investments.

Mr. Escher then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended regarding the proposed financings on behalf of Barnabas Health and Shore Memorial Medical Center.

3. CONTINGENT BOND SALE
Meridian Health

Ms. Walton introduced Bob Palermo, Vice President of Finance and Frank Pipas, Senior Director of Finance from Meridian Health System.

Ms. Walton stated that the Members were being asked to consider a contingent sale of bonds on behalf of Meridian Health System, in an aggregate principal amount not to exceed $255 million. The proceeds of the Series 2011 Bonds, together with other funds, would be used to provide funds to: (i) currently refund and redeem all or a portion of (a) the Jersey Shore Medical Center Obligated Group Issue, Series 1994 Bonds; (b) the Southern Ocean County Hospital Issue, Series 1997 Bonds; (c) the Meridian Health System Obligated Group Issue, Series 1999 Bonds; and (d) the Southern Ocean County Hospital Issue, Series 2001 Bonds, (ii) fund a debt service reserve fund, if necessary for the Series 2011 Bonds, and (iii) pay certain costs incidental to the issuance and sale of the Series 2011 Bonds.

Ms. Walton indicated that the Series 2011 Bonds would be structured as a fixed rate public offering and would be uninsured and issued on the credit of the Borrower. Currently, Meridian has an "A-" rating from S&P and they are in the process of seeking a rating from Fitch Investor Services prior to the sale of the Series 2011 Bonds.

Based on the most recent numbers run provided by Wells Fargo Securities, the Underwriter on the transaction, the refunding would result in net present value savings of $14.6 million or 6.2% of the refunded bonds assuming all of the potential refunded bonds are refunded.

The Series 2011 Bonds would be secured by payments made by Members of the Obligated Group under the Loan Agreement, as evidenced and secured by the Series 2011 Note issued pursuant to the provisions of an existing Master Trust Indenture which includes a gross receipts pledge of the Obligated Group and amounts on deposit in certain funds and investment income held by the Trustee.

Ms. Walton stated that she had concluded her portion of the presentation and would be asking Bond Counsel to outline the Series Resolution.

SERIES RESOLUTION

John Kelly, Esq., of Wilentz, Goldman, & Spitzer P.A. stated that the Series Resolution authorizes the issuance of the Series 2011 Bonds in an aggregate principal amount not in excess of $255,000,000, at a true interest cost not to exceed 5.50%, with a final maturity no later than July 1, 2031 and a redemption price not to exceed 105%. If it is determined that a Debt Service Reserve Fund is necessary to market the Series 2011 Bonds, the Series Resolution authorizes the Executive Director to determine the Debt Service Reserve Fund Requirement and the use of a Debt Service Reserve Fund Credit Facility to satisfy such requirement. The Series Resolution also approves the form of and authorizes the execution of a Bond Purchase Contact with the Underwriter prior to the close of business on February 22, 2012.

The Series Resolution approves the form of the Series 2011 Bonds, the Loan Agreement and Letter(s) of Instruction and authorizes and directs the trustee for the refunded bonds to file an application for the purchase of United States Treasury Obligations – State and Local Government Series for deposit into the escrow account established under the Letter of Instructions, if required. In addition, the Series Resolution approves the form and distribution of a Preliminary and Final Official Statement and authorizes any Authorized Officer of the Authority to sign such documents, in substantially such forms, with such insertions, deletions and changes therein and any supplements thereto as Counsel may advise and the Authorized Officers executing the same may approve.

Finally, the Resolution appoints The Bank of New York Mellon as the Trustee, Bond Registrar and Paying Agent for the Series 2011 Bonds and authorizes the Authorized Officers of the Authority 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 Loan Agreement, the Bond Purchase Contract, the Letter(s) of Instruction and the issuance and sale of the Series 2011 Bonds.

Mr. Hopkins noted that the bonds being refunded include Meridian's 1994 bonds that are currently under investigation by the IRS. The Authority has discussed this issue with Bond Counsel as well as Special Counsel who has been engaged to handle this issue with the IRS, Jeff Kramer from & DeCotiis, FitzPatrick & Cole. Both believe there is no problem in issuing these bonds. If, before the bonds are issued, it is determined to be a problem, Mr. Hopkins can eliminate them from the refunding.

In response to a question from Mr. Escher, Mr. Hopkins noted that the size of the bonds in question is $16 million. It was also clarified that the 1994 bonds are under an IRS examination, as opposed to being under investigation.

Mr. Escher asked the Members' pleasure with respect to the adoption of the proposed Series Resolution on behalf of Meridian Health. Dr. Kazmir made a motion to approve the Series Resolution. Mr. Lovell seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-34

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Resolution entitled, "A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, MERIDIAN HEALTH SYSTEM OBLIGATED GROUP ISSUE, SERIES 2011."
>
> *(attached)*

With respect to co-managers for this transaction, Mr. Escher noted that he had an appearance of a conflict of interest. He recused himself from this portion of the meeting and stepped out of the room. Mr. Conroy stepped in to chair the meeting.

Mr. George reminded the Members that the Authority "reserves the right to select firms from its qualified list, to serve as co-managing underwriter(s) for its financings."

Based upon current market conditions and the size of this financing, Staff recommended five (5) co-managers for this transaction. Meridian selected Wells Fargo Securities to serve as Senior Manager for this transaction. And in order of priority they asked for J.P. Morgan and Goldman Sachs to be named as co-managers. Staff suggested fulfilling Meridian's request and adding three additional co-managers, Bergen Capital Incorporated, Duncan-Williams Inc. and Sturdivant & Co.

Bergen Capital is headquartered in New Jersey and is a division of Scott & Stringfellow, a Richmond, Virginia based investment securities firm which in turn is a subsidiary of BB&T, one of the larger financial institutions in the nation.

Duncan-Williams, Inc. is a woman-owned 40-year-old investment bank headquartered in Memphis, Tennessee with offices in Jersey City, New Jersey, and eight (8) other states.

Sturdivant & Co. is a minority-owned and operated financial services firm founded and located in Voorhees N.J.

Mr. George requested Members' approval to name these five firms (J.P. Morgan, Goldman Sachs, Bergen Capital, Duncan-Williams and Sturdivant & Co.) as co-managers on the Meridian Health System Series 2011 transaction.

Mr. Conroy asked the Members' pleasure in approving the naming of J.P. Morgan, Goldman Sachs, Bergen Capital, Duncan-Williams and Sturdivant & Co. as co-managers. Dr. Kazmir made a motion to approve the naming of the firms as co-managers. Mr. Lovell seconded. Mr. Conroy, Mr. Lovell, Ms. Kralik and Dr. Kazmir voted yes. The motion carried.

AB RESOLUTION NO. LL-35

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the naming of J.P. Morgan, Goldman Sachs, Bergen Capital, Duncan-Williams and Sturdivant & Co. as co-managers on the Meridian Health System Series 2011 transaction.

Expedited Minutes

Mr. Escher re-entered the room and stated that Meridian Health has requested an expedited review of this portion of the minutes. Mr. Conroy then made a motion authorizing the Assistant Secretary to execute a certified copy of minutes from the portion of the meeting to be forwarded to the Governor for his consideration of these actions; Dr. Kazmir seconded. The vote was unanimous and the motion carried.

Mr. Palermo thanked the Authority Board and Staff. He noted that through the issues that arose, the Authority Staff worked well and aggressively with Meridian to help them stay with their timeline. It is very important to have this transaction completed by the end of the year to catch the markets as well as to avoid the difficulties that arise when getting closer to the holidays and the new year. He stated that Meridian would enjoy significant savings from this transaction that they will reinvest in their people and their facilities to better serve their communities over Monmouth and Ocean Counties.

In response to an inquiry from Mr. Escher about the timeline, Mr. Palermo stated that dependent on the Governor's approval, they hoped to have a Preliminary Official Statement next week and hold pricing right after Thanksgiving. They are hoping to have the deal done by the middle of December.

4. NEGOTIATED PRIVATE PLACEMENT REQUEST & INFORMATIONAL PRESENTATION
AtlantiCare Health System

Mr. Hopkins introduced Joe McCarthy, Corporate Director of Finance from AtlantiCare Health System. He informed Members that his presentation would serve as both a request for a negotiated sale and an informational presentation.

Mr. Hopkins stated that AtlantiCare Health System ("AtlantiCare") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt private placement of approximately $40 million. AtlantiCare is the sole member of AtlantiCare Regional Medical Center ("Medical Center") which operates two hospitals – one located in Atlantic City (the City Campus) and the other in Pomona (Mainland Campus). The Medical Center is also the sole member of Behavioral Health which is a provider of outpatient mental health, substance abuse and family care services in the southeastern region of New Jersey.

The proceeds of the bonds will be used to: 1) refund two variable rate composite loan program bonds issued through the Authority, the Series 2005A-1 and Series 2006 A-1; 2) fund a debt service reserve if necessary, and 3) pay any related costs of issuance.

The Medical Center had an excess of revenues over expenses of $55.9 million and $77.3 million for the years ending 2010 and 2009 respectively. Based upon unaudited information they are reflecting an excess of revenues over expenses of $4.9 million for the first 9 months of this year. The Medical Center has 567 licensed beds and employs approximately 4,700 people. AtlantiCare maintains an A rating from both S&P and Fitch and A2 rating from Moody's. As Members could see in APOLLO financial summary information provided, AtlantiCare has 238 days cash on hand, a profit margin of 4.31 and debt service coverage of 3.98. Because they are refunding from a variable to a fixed rate, this refunding will not generate savings but it will reduce the Medical Center's remarketing risk and letter of Credit renewal risk (Basel III), while locking in historically low fixed rates.

The Medical Center issued debt through the Authority in 2002, 2005, 2006 and 2007 totaling $279,295,000 of which $239,360,000 remains outstanding; however, $36,775,000 of this outstanding debt has been defeased and will be called for redemption on July 1, 2012.

AtlantiCare 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.

Under the Authority's policies, a Borrower requesting a Negotiated Private Placement must also justify the use of a private placement by showing it is either less expensive on a present value basis to complete a private placement or there are other circumstances that would limit the effectiveness or usefulness of a public sale. AtlantiCare conducted a competitive process and performed such an analysis and would like to place the bonds with Wells Fargo Bank. Their analysis indicated a present value savings of $2.7 million doing a private placement versus a public offering. Therefore, Mr. Hopkins recommended the consideration of the resolution approving the use of a negotiated sale and forwarding a copy of the justification in support of said resolution to the State Treasurer.

In response to a question from Mr. Escher, it was clarified that the role of Wells Fargo would be as a purchaser not a placement agent.

Mr. Escher asked the Members' pleasure with respect to the adoption of the Resolution supporting the issuance of revenue bonds by negotiated private placement transaction pursuant to

Executive Order #26 on behalf of AtlantiCare Health System. Dr. Kazmir moved to adopt the resolution. Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-36

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the Resolution entitled "RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY PRIVATE PLACEMENT TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26."
(attached)

5. AMENDMENT TO DOCUMENTS
Princeton HealthCare System

Mr. Edwin Fuentes introduced Bruce Traub from Princeton HealthCare System. He drew Members' attention to the First Supplemental Trust Agreement provided to them on the table.

Mr. Fuentes reported that in May of 2010, the Princeton HealthCare System Series 2010 Bonds were issued in four separate series in the aggregate principal amount of $350 million. Princeton is now requesting an amendment to the existing Trust Agreement to permit, upon a conversion of the interest rate mode on their Series B variable rate bonds from a weekly rate to a floating index rate, the availability of the borrower to request an index rate based upon LIBOR in addition to the existing availability of a SIFMA based index rate. As such, the Authority needs to approve and authorize the execution of an amendment to the Series 2010B Trust Agreement to allow the LIBOR based index rate mode.

Members received for review a Resolution Authorizing a Supplemental Trust Agreement Relating to the Authority's Princeton 2010B bonds, prepared by Windels Marx Lane & Mittendorf, Bond Counsel for the transaction, which accomplishes the aforementioned.

In addition, Bond Counsel will opine, at the time of the execution of the Supplemental Trust Agreement, that such Agreement is valid, binding, and enforceable, is permitted under the provisions of the existing Trust Agreement regarding the amendment and supplementing thereof, and that, after the conversion to the new interest rate mode, the interest on the 2010 B Bonds will still be exempt from federal income taxes and under the New Jersey Gross Income Tax Act.

The Attorney General's office has reviewed the Resolution and has no objection to the Authority's consideration. Therefore, Staff recommended that the Resolution be approved.

Mr. Escher asked the Members' pleasure with respect to the adoption of the Resolution on behalf of Princeton HealthCare System. Mr. Conroy offered a motion to adopt the Resolution; Mr. Lovell seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-37

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION AUTHORIZING A SUPPLEMENTAL TRUST AGREEMENT RELATING TO $55,000,000 NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, PRINCETON HEALTHCARE SYSTEM ISSUE, SERIES 2010B."
(attached)

Mr. Escher inquired as to how construction was coming along for the new facility. Mr. Traub replied that it was going well. They are going to complete the project on March 15 and will receive the first patient on May 22.

6. FINANCE COMMITTEE REPORT

Dr. Kazmir presented his Finance Committee Report to Members:

The Finance Committee met on October 11, 2011 and again on November 1 to discuss the Authority's proposed 2012 budget. The proposed 2012 cash budget includes an estimated total income of $4,117,085 and an estimated operating expense budget of $3,652,884 resulting in an anticipated net income on a cash basis in the amount of $464,201 for 2012.

As a percentage of the budget, total operating income projections decreased 3.68% and expected operating expenditures decreased 4.89%.

There are some differences between the approved 2011 budget and the one proposed for 2012:

1. **Annual Fees** are expected to decrease by approximately $112,000. This is due in part to the Authority doing mostly refundings, which bring in less money, and the expectation that there will be fewer bonds issued next year.

2. The line item for **Other Operating Income** has decreased by about $31,000 due to the fact that the Authority does not intend to fill the vacant position of Director of Legal, Regulatory, and Special Projects. This position was created at the beginning of the year and was to be shared with the Department of Health.

3. **Interest Income** is projected to be zero based on the expectation that the current low yield from NJ Cash Management will continue at or near zero percent.

4. By eliminating the fax machine and using the faxing capabilities of the new copiers, the **Equipment Rental and Maintenance** line item has decreased by nearly $2,000.

5. The **Insurance** line item has decreased nearly $19,000 due in part to eliminating the consideration of a Public Officials Liability policy.

6. The projected budget for **Seminars and Educational Courses** has increased $9,750.00, mainly due to the tuition reimbursement program for staff.

7. Following the Finance Committee meeting on November 1, Staff had to increase the **Governor's Review of Minutes** line item by just over $1,600. This fee had not increased since 2008. The 2012 proposed budget included a 5% increase. However, when Staff received the new invoice, the annual assessment increased 15% for a total cost of $18,570.

8. The **New Financing Products** line item is budgeted at $75,000. This is in anticipation of the State requesting that special products be developed in two areas: for Federally Qualified Healthcare Centers, and for funding Electronic Medical Records.

9. **Fringe Benefits** have decreased almost $25,000.00 versus the 2011 budget due in part to lower overall salaries, a change in staffing configuration as well as the elimination of the vacation buy-back policy.

10. In regards to **Staff Salaries**, this line item decreased by over $96,000 because of two retirements and the elimination of the vacant director position. The Authority Staff have not had a salary increase since a wage freeze was instituted in 2008. An earlier version of the 2012 budget included a salary increase of up to 5% that would apply only to rank and file employees. The Governor's Authorities Unit requested that the increase be removed. It should be noted that had this increase been left in the budget, this line item would still have come in over $35,000 less than the 2011 budget. The committee noted that Authority Staff are consistently doing more with less money. As Staff members are now faced with rising deductions for health insurance and other benefits, the Finance Committee regretted that they could not recommend to the Board a budget which included modest salary increases for these dedicated Staff members.

In regards to the overall budget, he applauded staff's due diligence to keep costs to a minimum as well as staff's ability to annually create a budget so on target that the Authority can operate within a very small margin of its estimates without going over. He especially thanked Michael Ittleson, Christopher Kulick, and all others on the staff who work hard to put together such a clean and effective budget from year to year.

Mr. Escher noted that as a member of the Finance Committee he believed this was an austerity budget in keeping with the times. The committee and staff did a good job. He added that almost everything was cut down and it is a barebones budget.

As there were no further questions on the proposed budget, Dr. Kazmir made a motion to adopt the 2012 Authority Budget as presented. Mr. Conroy seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-38

NOW, THERFORE, BE IT RESOLVED, that the Authority hereby adopts the proposed 2012 Authority Budget as recommended by the Finance Committee.

Dr. Kazmir stated that as he had mentioned earlier, the Committee had hoped to provide a modest salary increase for the rank and file Authority Staff who have not had an increase since 2008. The Committee is hopeful that by informing the Authorities Unit that the Authority Board supports this action, the Authorities Unit may reconsider the salary increase for rank and file Staff. Therefore, the Finance Committee recommended that the full Authority Board give approval for the Executive Director to request reconsideration from the Authorities Unit of salary increases of no higher than 5% for rank and file employees.

Mr. Escher reiterated that Authority Staff members had not had a salary increase since 2008 and asked the State representatives on the Board if that were the case for all public employees, which they affirmed.

Mr. Conroy added that looking at that day's paper, there is a report by the Treasurer that revenues are off for consecutive months. There is a possibility that in order for the State to balance its budget there may have to be severe cuts. He stated that when speaking about the Authority's budget as an austerity budget, Members would need to look at the situation around salaries in that context. Mr. Escher added that the Authority adopted a budget that reflects no increase and this would be an additional request when the budget is sent to the Authorities Unit. The Finance Committee believed it at least should be asked for but Mr. Conroy's point was taken.

Mr. Escher asked the Members' pleasure with respect to authorizing the Executive Director to request that the Authorities Unit reconsider salary increases of no higher than 5% for rank and file employees. Dr. Kazmir offered a motion to authorize the action; Mr. Escher seconded. Mr. Escher and Dr. Kazmir voted yes. Mr. Conroy, Mr. Lovell and Ms. Kralik voted no and the motion was not passed.

7. DIRECTORS & OFFICERS LIABILITY INSURANCE RENEWAL

Mr. Michael Ittleson introduced representatives from the Authority's broker Marsh USA: Erica Craner in person and Tracy Williams on the phone. Also present by phone was the underwriter from Chartis, Lisa Udouj.

Mr. Ittleson noted that the Authority's expiring Directors and Officers Liability policy, also known as D&O, is with Chartis. The policy was a one-year policy that had a $20 million limit of liability and a deductible of $175,000. The premium was $71,400 with a NJ Surcharge of $643 for a total cost of $72,043.

For the renewal, the broker approached Chartis, Chubb and Beazley Insurance. Beazley offered only a $10 million limit with a deductible of $175,000 for a premium of $65,000 and Chubb offered only a $10 million limit with a deductible of $250,000 for a premium of $90,000. That left Chartis which offered a $20 million limit with a deductible of $175,000 for a premium of $71,030 and a NJ surcharge of $639.00 for a total of $71,669 or $374 less than the expiring policy. Beazley and Chubb could not provide the level of coverage the Authority was seeking and Chubb's deductible and premium were even higher than what Chartis was offering at the Authority's requested limit of liability.

Based on this information, Staff requested the Members' consideration in approving the renewal of the D & O policy with Chartis with a $20 million limit of liability, a deductible of $175,000 with a premium of $71,030 and a NJ surcharge of $639.00 for a total cost of $71,669. The policy covers the period December 18, 2011 through December 18, 2012.

Ms. Kralik asked if the other quotes were all claims made, which was the case.
Ms. Kralik also asked if, should the Authority choose not to purchase the policy next year, would tail coverage be available. Ms. Udouj responded that yes, that could be offered if that became the case.

Dr. Kazmir made a motion to approve the renewal of the D&O policy with Chartis, with a $20 million limit of liability, a deductible of $175,000 with a premium of $71,030 and a NJ surcharge of $639.00. Mr. Conroy seconded the motion. Mr. Escher, Mr. Conroy, Mr. Lovell and Dr. Kazmir voted yes; Ms. Kralik abstained, and the motion carried.

AB RESOLUTION NO. LL-40

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the renewal of the D&O policy with Chartis, with a $20 million limit of liability, a deductible of $175,000 with a premium of $71,030 and a NJ surcharge of $639.00.

8. OLD /NEW BUSINESS

Mr. Fillebrown read the attached Resolution of Appreciation for Sue Tonry who had served the Authority as Assistant Division Director of Research, Investor Relations and Compliance. Mr. Escher asked the Members' pleasure with respect to the adoption of the resolution in appreciation of Ms. Tonry and her years of service and contributions to the Authority. Dr. Kazmir moved that the resolution be approved. Mr. Lovell seconded. The vote was unanimous and the motion carried. Members and Authority Staff wished Ms. Tonry well.

AB RESOLUTION NO. LL-41
(attached)

Ms. Tonry thanked the Authority for the Resolution. She acknowledged that she was not the only one that deserved recognition. She stated that the people in the room had been supportive of her and her family in so many ways over the last few years. They rallied behind her from day one, giving her the time off that she needed, provided meals for her family and sent gifts to lift her spirits. There were phone calls, cards, visits and constant support from her Authority family. When she found the need to give back by organizing blood drives and her Quilts for Comfort initiative, they rallied in full support again. She thanked them for standing behind her and beside her through everything the past few years had thrown her way.

9. APPROVAL OF EXPENSES

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

AB RESOLUTION NO. LL-42

WHEREAS, the Authority has reviewed memoranda dated November 10, 2011, 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, $2,659.78 and $56,723.30 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

Mr. Escher thanked staff for the Project Development Summary, Cash Flow Statement and Legislative Advisory reports.

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

1. As a result of its successful sale of Hoboken University Medical Center to HUMC Holdco on November 4, the Hoboken Municipal Hospital Authority repaid the $2.5 million Authority loan, including interest.

2. Joseph Lario has joined the Department of Health and Senior Services as Executive Director of Health Care Finance. The Authority knows Joe well from his position as CFO of Kennedy Health System. Among many other things, Joe will be working on Hospital Charity Care, Stabilization Funds and will be the Commissioner's regular designee to the Authority.

3. Hospital News

a. On November 29, the State Health Planning Board will be considering the certificate of need application to reopen the former Pascack Valley Hospital as a 128-bed acute care hospital to be known as HUMC North at Pascack Valley. The recommendation of the State Health Planning Board is provided to the Commissioner of Health and Senior Services who makes the final decision on the application.

b. Christ Hospital's request for expedited review of its Certificate of Need application to sell to Prime Healthcare, a California for-profit healthcare company, has met resistance from the Jersey City Council and Assemblyman Ramos.

c. AtlantiCare has announced its intention to launch an Accountable Care Organization, called AtlantiCare Health Solutions, and expects to begin enrolling members in 2012.

4. Authority News

a. The Authority welcomes Ellen Lieber as Assistant Account Administrator. Ellen will be working primarily with Account Administrator Marji McAvoy. Ellen has over 20 years of experience in accounting and bookkeeping, most recently with the Morris Energy Group in Eatontown. Last week Mr. Hopkins learned she was a classmate of his at Rutgers College, where she earned a Bachelor's degree in mathematics.

b. This fall there have been some important employee milestones:

i. Human Resources manager Robin Piotrowski celebrated her 10th anniversary this month;

ii. Office Assistant Lorraine Donahue celebrated her 20th anniversary this month; and

iii. Controller Michael Ittleson celebrated his 25th anniversary in September.

Mr. Escher asked for clarification on the Christ Hospital and Jersey City Council issue. Mr. Hopkins stated that the CEO of Christ Hospital had asked the city council for a supportive resolution asking the Department of Health and Attorney General's Office for an expedited review of their sale. The Jersey City Council did not oblige. Mr. Escher stated that although the action was discretionary to begin with, he would imagine the Department would take the community's concerns into consideration. Mr. Conroy confirmed that and added the community had concerns or questions over the nature of the application and the parties who are coming in under that application.

This concluded the Executive Director's report.

11. EXECUTIVE SESSION

At this point, Mr. Escher asked the Members to meet in Executive Session to discuss potential litigation. As permitted by the Open Public Meetings Act and the Authority's By-Laws, Dr. Kazmir moved to meet in Executive Session to discuss potential litigation. Mr. Conroy seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-43

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public Meetings Act and the Authority's By-Laws, the Authority meet in Executive Session to discuss potential litigation,

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

[As Members entered Executive Session, Mr. Conroy left the meeting at 11:12 a.m.]

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

As there was no further business to be addressed, following a motion by Dr. Kazmir and a second by Mr. Lovell, the Members voted unanimously to adjourn the meeting at 11:21 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 NOVEMBER 17, 2011.

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Carole A. Conover, Assistant Secretary