Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on October 27, 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; Suzette Rodriguez, Public Member (via telephone).

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, Bernie Miller, Christopher Kulick and Tammy Romsdahl.

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; Gary Walsh, Windels Marx Lane & Mittendorf; Bob Palermo and Frank Pipas, Meridian Health System; Jim Foley and Robert Wood, Shore Medical Center; Richard Smith, JFK; Cheryl Cohen, Pantheon Capital; Nick Warner, Brian Carter and Safi Najdawi, Wells Fargo Securities; John Kelly, Wilentz; Scott Kobler, McCarter & English; Kristin DiSandro, JNESCO.

CALL TO ORDER

Vice-Chairman Gus Escher called the meeting to order at 10:09 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
September 22, 2011 Authority Meeting

Minutes from the Authority's September 22, 2011 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Mr. Conroy seconded. Mr. Escher, Mr. Conroy, Mr. Lovell, Ms. Kralik and Dr. Kazmir voted yes; (Ms. Rodriguez had not yet phoned into the meeting and was therefore unable to vote) and the motion carried.

2. BOND SALE REPORT
Barnabas Health

Mr. Lou George reported to Members that the Authority issued $370 million in bonds on behalf of Barnabas Health on Tuesday October 25. A pre-pricing call was held with JP Morgan Securities, the senior book running manager, Citigroup Global Markets, the co-senior manager, and the five other co-managers on October 24 at 4:00 p.m. The consensus scale that was proposed consisted of nine years of serial bonds from 2012 through 2019 and 2022, and term bonds in 2034 and 2041. The proposed scale had serial bonds with yields of 1.75% through 4.8% and the term bonds had yields of 5.95%, and 6.0% respectively. The price views from most of the co-managers supported these rates.

The senior manger suggested a 9:00 a.m. update call the following morning followed by a retail order period from 9:30 a.m. to 12:00 p.m. and an institutional period from 1:00 until approximately 2:30 p.m. The group agreed to this timeline.

The 9:00 a.m. call got pushed out to 9:30 at which time the senior manager indicated that they had made some adjustments to the structure but had basically maintained the same interest rates. They extended the serial bonds through 2024, deleted the term bond in 2034 and added term bonds in 2026, 2032, and 2037.

Outside of the Authority transaction, Barnabas Health conducted a tender offer for portions of their 1997, 1998 and 2006 bonds of which approximately $62 million of accreated capital appreciation bonds having a value of $160 million at maturity were tendered. The senior manager wanted to have some maturities available for those investors to reinvest. As a result they did not offer the 2023 and 2024 serial bonds and the 2032 and 2037 term bonds to the retail investors.

During the morning they had to close the order period for the 2041 bonds because they were heavily over-subscribed and they wanted to push orders into the 2026 maturity. After the retail order period, there was a 12:30 call to summarize the retail orders and prepare for the institutional order period. Although the 2041 were oversubscribed and the 2026 were fully sold, the longer serials were not moving. Therefore they recommended bumping the 2017 through 2022 serials up by five basis points and also dropping the rate on the 2041 maturity by five basis points.

At 4:00 p.m. there was another call wherein the senior managers suggested lowering the yield on the 2012 and 2013 serial bonds by five basis points, the 2020 serial bond by two basis points, the 2023 by three basis points, the 2032, 2037 and 2041 term bonds by 15 basis points. With these changes they made an offer to purchase which the Authority and the hospital accepted. The Authority ultimately issued $370 million of fixed rate bonds with yields ranging from 1.7% to 5.75% and an all-in TIC of 5.36%. Barnabas was very happy with the outcome.

[Ms. Rodriguez joined the meeting by phone at 10:14 a.m.]

3. ADOPTION OF FEE SCHEDULE FOR MASTER LEASING PROGRAM

Mr. George informed the Members that Authority Staff are working on a Master Leasing transaction on behalf of St. Barnabas Corporation that the Authority hopes will become attractive to other system-type borrowers. Staff anticipates bringing the Barnabas transaction in front of the Authority at the November meeting. Although somewhat similar to the Equipment Revenue Note Program, this is a new program. The program will allow for an installment sale of equipment wherein the lease payments will be made through a fiscal agent directly to the equipment vendor's financing subsidiary. It is anticipated that the Authority will have a separate Master Lease with each major vendor doing a transaction with a client lessee.

Members received a brief summary of the bond issuance fee schedule. As indicated in the provided materials, Staff would like to have some consistency between the Bond Issuance fees and the new Leasing Program fees. There are two significant changes when comparing the Bond Issuance fees to the suggested Master Leasing Fees.

The first is that in a bond issue the Authority charges $10,000 for each series of bonds. In the leasing program, because of the standardization of documents, Staff suggests a $5,000 fee for each Master Lease being transacted.

Secondly, unlike a bond issue, the leasing program will allow a lessee to enter into future leases at various times over the 10-year life of the Master Lease. Each new sub-lease will require a closing. Staff suggests a $500 fee for each closing. However, they also suggest that the Executive Director have the ability to adjust this closing fee if it is found that these closings become more costly and labor intensive than initially determined.

While Staff believes they have thought everything through, Mr. George acknowledged that this is a new program and at some point in time the Authority may need to make future adjustments.

Mr. Escher inquired into what types of institutions would be eligible. Mr. George explained that it would be open to all hospitals but would make the most sense for systems because they will be able to enter into a lease on an ongoing basis. For a single hospital, the Equipment Revenue Note Program (ERN) may make more sense. Mr. Escher asked if the Authority had legal advice on the program and Mr. George said that Bond Counsel has been working with Staff on putting it together and that it was very similar to the ERN. Mr. Escher asked if it would be necessary for the Board to approve each "mini-lease," and Mr. George explained that would not be necessary. The Board would approve the one lease with a total dollar amount and the System would be able to enter into leases over a 10-year period aggregated up to that dollar amount.

Mr. Escher asked the Members' pleasure with respect to the adoption of the proposed Fee Schedule for the Master Leasing Program. Dr. Kazmir made a motion to approve the Fee Schedule. Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-24

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled, "RESOLUTION ADOPTING A FEE SCHEDULE FOR THE MASTER LEASING PROGRAM."

(attached)

4. TEFRA HEARING

a. <u>Meridian Health</u>

Mr. Escher announced that the following portion of the meeting would be considered a public hearing in connection with the proposed issuance of bonds on behalf of Meridian Health and JFK Assisted Living. 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. Suzanne Walton stated that last month Meridian Hospitals Corporation and Meridian Nursing and Rehabilitation, Inc. requested and received approval to undertake a tax-exempt public offering of approximately $255 million, the proceeds of which would be used to refund all or portions of multiple series of Authority Bonds. It had been the intention to request approval of a Contingent Sale of Bonds at today's meeting; therefore, notice was published for a TEFRA hearing. However, Meridian along with their Underwriter, has decided to postpone the Contingent Sale. As a result, the Hospital is not seeking approval this month.

Since the TEFRA notice for a public hearing has been advertised, Meridian has requested that the Authority still hold a public hearing for this transaction and allow for public comment on the transaction. The holding of a public hearing does not bind the Authority to ultimately approve the transaction, which will only be approved at their discretion at the subsequent meeting at which the final documents will be presented. The public hearing held today would still satisfy the federal tax law provisions with regard to this transaction when and if approved by the Authority and the Governor at such later date.

Therefore, Ms. Walton requested that the Members conduct a public hearing and seek public comment with regard to a tax-exempt bond financing on behalf of Meridian Hospitals Corporation and Meridian Nursing and Rehabilitation, Inc. pursuant to which the Authority will make a loan to Meridian Hospitals Corporation to be used to currently refund and redeem all or a portion of: the Jersey Shore Medical Center Obligated Group Issue, Series 1994; the Southern Ocean County Hospital Issue, Series 1997 Bonds; the Meridian Health System Obligated Group Issue, Series 1999 Bonds; and the Southern Ocean County Hospital Issue, Series 2001 Bonds; as well as to pay the costs of issuing the tax-exempt obligations.

The maximum size of the Bond Issue will not exceed $255 million. The purpose of the presentation is informational and to comply with the public hearing requirements under the Internal Revenue Code of 1986, as amended.

It was noted that no one from the public provided comment.

b. <u>JFK Assisted Living</u>

Mr. McLaughlin introduced Richard Smith, Senior Vice President and Chief Financial Officer from JFK Assisted Living.

He reported that Staff is requesting the Authority's approval of the Resolution Authorizing Amendments to the Interest Rate and Other Provisions with Respect to JFK Assisted Living's Revenue Bonds, Series 2001.

During February 2001, JFK Assisted Living entered into a $13,760,000 private placement with Commerce Bank, now TD Bank, for a term of 25 years. The proceeds of the bonds were used to refinance a JFK Assisted Living taxable loan for costs associated with the construction of the assisted living facility; to fund certain capital budget projects; and to pay the related costs of issuance. The bonds are secured by a gross revenue pledge and a first mortgage lien on the facility. The outstanding balance as of October 1, 2011 was $10,683,762.

Per the original loan documents, the outstanding balance on the loan is subject to either an optional put to the Borrower or an interest rate reset on September 1, 2011 and September 1, 2021 upon proper notice. Although the September 1, 2011 date has passed, both parties are in agreement that the interest rate be reset effective November 1, 2011. Originally, the interest rate charged for this financing read as follows: "for the period from Closing until September 1, 2011 the rate was 5.65%; for the period September 1, 2011 until September 1, 2021, the rate was to be a fixed rate per annum equal to the weekly average yield on a US Treasury Bond adjusted to a constant maturity of ten years; and for the period September 1, 2021 until final maturity, a fixed rate per annum equal to the weekly average yield on a US Treasury Bond adjusted to a constant maturity of fifty-two months."

Both TD Bank and the Borrower are in agreement the interest rate setting convention be changed to the following: "for the Period November 1, 2011 to September 1, 2016, the interest rate will equal a fixed rate equal to TD Bank's five year cost of funds plus two hundred and fifty (250) basis points; and (2) for the period September 1, 2016 to final maturity on January 1, 2026, an interest rate to be determined at some future date."

Additionally, as it pertains to the rights of the holder of the Bonds set forth in Section 3.1(c) of the Trust Indenture, JFK Assisted Living has agreed to amend the document so that the bonds would be subject to a mandatory tender unless the Bank, or any subsequent holder of the Bonds, waives its rights to the mandatory tender upon 180 days written notice to the Trustee, the Authority and the Borrower on September 1, 2016 and September 1, 2021.

A Bond Resolution and amendments to the loan documents have been prepared by Windels Marx Lane & Mittendorf, LLP, the Bond Counsel, which provide for the request. The Attorney General's office has reviewed the Bond Resolution, amendments to the Trust Indenture, an amendment to the Loan Agreement, the Replacement Note, and the Replacement Bond and has approved the form of the documents.

Bond Resolution
Gary Walsh of Windels Marx Lane & Mittendorf, the Bond Counsel, reported that the Bond Resolution authorizes the amendment described by Mr. McLaughlin and authorizes the appropriate officers to execute those terms and execute any other documents needed to accomplish the terms.

Mr. Escher asked what the intention was in making these changes and what problem was being addressed. Mr. Smith noted that there was a reset in September and JFK had been negotiating with TD. They have other outstanding loans with TD that are also being negotiated and this is part of a package deal. Even though the reset date has passed, they have been negotiating with TD for about five months.

Mr. Escher asked the Members' pleasure with respect to the Resolution approving the amendment to the JFK Assisted Living documents. Dr. Kazmir moved to adopt the resolution. Mr. Lovell seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-25

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the Resolution entitled "RESOLUTION OF THE AUTHORITY AUTHORIZING AMENDMENTS TO THE INTEREST RATE AND OTHER PROVISIONS WITH RESPECT TO ITS REVENUE BONDS (JFK ASSISTED LIVING ISSUE, SERIES 2001)."
(attached)

Mr. Escher then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended on behalf of Meridian Health and JFK Assisted Living.

5. NEGOTIATED SALE REQUEST & INFORMATIONAL PRESENTATION
Shore Medical Center

Mark Hopkins introduced Jim Foley, CFO & Vice President of Finance, and Robert Wood, Director of Finance from Shore Medical Center.

Mr. Hopkins reported that Shore Medical Center ("Shore") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt private placement of approximately $10 million. Shore operates an acute care medical center licensed for 296 beds located in Somers Point, NJ. Shore recently completed portions of a major expansion project that included a 4-story surgical center, an expansion of the main hospital facility, a 640-space parking garage and a medical office building.

The proceeds from this financing will be used to reimburse Shore for a portion of the construction costs of the parking garage and to pay the costs of issuance associated with this financing. The purpose of this financing is to replenish cash on Shore's balance sheet in order to be in compliance with the days cash on hand requirements of their current documents.

Shore had an excess of revenues over expenses of $211,000 in 2010 and $7.5 million in 2009. Based upon unaudited information, they rebounded in 2011 with income from operations of $4.3 million during the first eight months of this year.

Shore has issued debt through the Authority in 2003, 2009 and 2010 of which $66,235,000 remains outstanding. The 2003 bonds are insured by Radian Asset Assurance Inc. and the 2009 & 2010 bonds are unrated. Shore does not maintain an underlying bond rating.

Shore has asked that the Authority permit the use of a negotiated offering based on the: 1) Sale of a complex or poor credit, and 2) Volatile market conditions. These reasons are 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. Shore has requested that this issuance be in the form of a private placement because they have: 1) a purchaser willing to purchase the bonds, 2) the purchaser is providing a competitive rate, and 3) the purchaser is willing to expedite the timing of the transaction. Therefore, Mr. Hopkins recommended the consideration of the resolution approving the use of a negotiated private placement and forwarding a copy of the justification in support of said resolution to the State Treasurer.

Mr. Foley expressed Shore Medical Center's appreciation for the Authority's consideration of the request. He noted that they have had a remarkable turnaround in operations in 2011. They are delivering a 3.1% operating margin now. They have very positive cash flow and are at the end of their investment period and looking to replenish cash, which is the purpose of this financing.

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 Shore Medical Center. Dr. Kazmir offered a motion to adopt the resolution; Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-26

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)

Mr. Hopkins noted that Shore has indicated that they would like to expedite this transaction. Typically there is a three-month process wherein month one is used for the request for a negotiated sale, month two serves as an informational presentation, and month three is used to request the Authority's consideration of a contingent bond sale. If the Members would be willing to consider Shore's request, Staff would be prepared to conduct an informational presentation at this time.

Mr. Escher asked the Members' pleasure with respect to hearing an Informational Presentation on the Shore Medical Center transaction. Mr. Lovell asked what the disadvantage would be and Mr. Hopkins noted that waiting until the next month would only delay Shore's financing and they are looking to get to market as soon as possible to comply with the Authority's days cash on hand requirement before the end of the year. As there were no objections, Mr. Escher requested that Mr. Bill McLaughlin proceed with an Informational Presentation.

Mr. McLaughlin informed Members that the Authority did not provide any financing for the parking garage or the pedestrian bridge between the Surgical Center and the garage. Initially, Shore planned to finance the garage and pedestrian bridge through a private source, however, as the result of the credit assessment, this option was deemed not feasible. Thus, the Medical Center used its own funds to pay for the garage and pedestrian bridge. The use of its funds for this purpose has resulted in a projectable shortfall to the Medical Center's 75 Days Cash on Hand requirement.

Therefore, Shore Medical Center has requested that the Authority consider the issuance of approximately $10 million in bonds. Proceeds of the financing will be used to reimburse the Medical Center for expenditures associated with the construction of the parking garage, fund a debt service reserve, if required, and pay the related costs of issuance.

The proposed transaction is expected to be an unrated, fixed rate, private placement with GE Government Finance. The rate will be based on 60% of the difference between the ten-year swap rate on September 23, 2011 and at Closing. A spread of 2.73% will be added to the swap rate differential to complete the calculation. In today's market, the rate would approximate 4.70%.

A review of the financial information that Members received indicates that Shore had operating income of $2 million for 2009 and an operating loss of $4.4 million for 2010. For the year ended 2010 the Medical Center had 108.9 days cash on hand, a 0.75% profit margin, a negative 2.3% operating margin, and a debt service coverage ratio of 2.86 times. As previously indicated, Shore has rebounded in 2011 and for the first eight months of this year the Medical Center has generated operating income of $4.3 million, which approximates an operating margin of 3.3%.

Shore conducted an RFP process for bond counsel and recommended Gibbons P.C. to serve in this position. The Attorney General's office has approved the recommendation. Staff anticipates coming before the Authority at the November 2011 meeting to request Contingent Bond Sale approval for this transaction.

Mr. Escher noted that 2010 was a particularly nasty year and asked if there were specific reasons for it. Mr. Foley explained that Shore Medical Center had a rapid growth in Charity Care in 2010. Shore is located 10 miles south of Atlantic City and a large share of their patient base comes from the casinos, which have had significant layoffs. Employment is down from a peak of 54,000 in 2007 to 33,000. That results in insurance-covered lives that are no longer covered and have become Charity Care cases. Shore Medical Center received about $475,000 a year from the State for Charity Care. However, their Charity Care costs were approximately $20 million, or $14 million when bad debts are taken out. Shore has addressed this issue by instituting a new revenue cycle program. Operations have also been adjusted to deal with that issue. Mr. Escher asked about the increase in Charity Care this year. Mr. Foley responded that they had benefited from the increase by receiving $1.2 million in 2011. Their Charity Care costs remained approximately $14 million and he noted that though modest, the increase from the State was welcome relief. Mr. Foley also noted that Shore implemented a revenue cycle that worked as well as turning around operating expenditures.

Mr. Lovell inquired as to the impact of the Steel Pier sale, and whether Charity Care is expected to increase again. Mr. Foley noted that the pier is not a significant population base. It may encompass a few hundred people employed, but does not have the significant patient base that compares to the 50,000 workers from the casinos.

Mr. Foley also stressed that regardless of possible increases in Charity Care cases, Shore adjusted operations to be able to deal with those issues more effectively.

7. CORPORATE BANKING RESOLUTIONS & SIGNATURE CARDS

Mr. Escher reminded the Members that when there is a change in Officers, such as last month's election of Dr. Kazmir as Treasurer, staff must provide the Authority's bank with new corporate banking resolutions and signature cards. Mr. Conroy offered a motion to adopt these updated resolutions; Mr. Lovell seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-27

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts corporate banking resolutions as a result of the election of a new Treasurer.

8. MODIFICATION TO THE QUALIFIED BANKERS LIST

Mr. George reported that Lancaster Pollard & Co. has provided the Authority with a "Statement of Qualifications" to be added to the approved list of bankers to serve as a Senior Manager, Financial Advisor, Placement Agent, Co-Manager and Remarketing Agent.

Lancaster Pollard is an investment banking firm with a mortgage banking affiliate. Their focus is on structured financings such as FHA, (Federal Housing Administration) and GNMA (Government National Mortgage Association) secured debt. Historically, the firm has been involved with both hospital and senior living type financings. Lancaster Pollard is headquartered in Columbus, Ohio with regional offices in Atlanta, Austin, Kansas City, Los Angeles and Philadelphia.

Within the last year, the firm has served as a placement agent for Sidney Health Center, Richmond University Medical Center and Ohio Valley Health and Services Corporation. They also senior managed a $50 million senior living transaction on behalf of Aviv Centers for Living in Massachusetts.

The firm does not have a New Jersey presence and the primary contact will be Kenneth Gould the Senior Vice President and Northeast Regional Manager located in Radnor which is outside of Philadelphia.

Mr. George requested the Members' consideration in adding this firm to the Authority's approved list of bankers.

Mr. Conroy inquired as to whether this was discretionary, that the Board could decide who would be on the list. Mr. George responded that yes, that was the case. In the past the Authority had sent out an RFQ to put firms on the approved list. Then people were constantly approaching the Authority and asking to be added to the list. The Board decided to add people as they made the request, provided they had appropriate experience in health care.

Mr. Escher added that the Authority had written standards for firms to qualify. He also stated that, having been in the business for 30 years, he believes this format is the best way to do it. Some issuers choose to add firms annually. He believes that the Authority has a huge stable of choices and that is healthy. The Authority welcomes as many participants as possible, instead of excluding choices. He also noted that the EDA has a similar model.

Mr. Conroy asked if the Board needs to sign off on each addition or if Staff could do so. Mr. Hopkins replied that it is the policy at this time that the Authority Members must approve the qualified bankers. He added that there is a second step, that the Borrower selects a senior manager after going through a competitive process of at least three senior managers. The pool also entitles the firms to be in a rotation for co-manager. Since it is quite a large pool, firms may have to wait quite a long time in between being co-managers.

Mr. Conroy asked how long a firm is approved, and Mr. Hopkins answered that it would be until they no longer qualify. He noted that there have been new requirements imposed by the State. The Authority does keep up with them and requires current bankers to submit the information the State requires. However, the Authority may send out a new RFQ for a fresh pool again in the near future.

Ms. Kralik asked if there was an issue with Lancaster Pollard not having a physical presence in New Jersey, and Mr. Hopkins said that is not a requirement. Mr. Escher noted that if the firm is in the FHA business, that is a specialty that could be beneficial to the Authority.

Dr. Kazmir moved to approve adding Lancaster Pollard & Co. to the Authority's qualified bankers list as Senior Manager, Financial Advisor, Placement Agent, Co-Manager and Remarketing Agent. Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-28

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority added Lancaster Pollard & Co. to the Authority's qualified bankers list as a Senior Manager, Financial Advisor, Placement Agent, Co-Manager and Remarketing Agent.

9. OLD /NEW BUSINESS

Mr. Escher read the attached Resolution of Appreciation for Ulysses Lee who resigned from the Authority at the end of the previous month's meeting. Mr. Escher asked the Members' pleasure with respect to the adoption of the resolution in appreciation of Mr. Lee and his years of service and contributions to the Authority. Dr. Kazmir moved that the resolution be approved. Mr. Conroy seconded. The vote was unanimous and the motion carried. Members and Authority Staff wished Mr. Lee well in his future endeavors.

AB RESOLUTION NO. LL-29
(attached)

10. 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. Lovell seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. LL-30

> **WHEREAS,** the Authority has reviewed memoranda dated October 20, 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, $85,962.23 and $6,991.34 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.

11. STAFF REPORTS

Mr. Escher thanked staff for the Project Development Summary, Cash Flow Statement and Third Quarter Budget reports. He noted that there was no Legislative Advisory report this month.

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

1. There will be a Finance Committee meeting Tuesday, November 1, 2011 at 10:00 a.m. at the Authority. The meeting is to consider the Authority's 2012 operating budget. It is open to the public.

2. Authority Members are required to complete ethics training pursuant to Executive Order #41 (Codey 2005). Ethics training is available from the State Ethics Commission online. Training must be completed by November 14. As Executive Director, Mr. Hopkins is responsible for certifying to the Authorities Unit that each Authority Member has completed the ethics training. Instructions for accessing the ethics training were provided to Members.

3. The bankruptcy court approved a settlement between Hudson Healthcare, Inc., the management company running Hoboken University Medical Center, and its creditors. The Commissioner of Health and Senior Services has also issued the Certificate of Need approving the sale of the Hoboken University Medical Center from the Hoboken Municipal Hospital Authority to HUMC Holdco. The Authority had expected the sale to close yesterday and receive repayment of its $2.5 million loan. However, parking in the city-owned garage next to the hospital, which was to be included in the deal, is not finalized to the satisfaction of the purchaser, HUMC Holdco. The Authority is hoping the sale will be finalized next week.

4. Mr. Hopkins attended the Fall Conference of the National Association of Health and Educational Facilities Finance Authorities from October 3 through 5 in San Diego. The conference was very educational. He thanked the Authority Members and the Governor's office for approving the travel for this conference and will be preparing a summary of the pertinent information for the Authority Members in the near future.

5. After initially failing to come to an agreement with the provider on the terms of a replacement Accounts Receivable line of credit for St. Mary's, the Authority has received revised language from the provider for the Subordination Agreement, which governs the subordination of the Authority's security interest in Accounts Receivable to the provider of the Accounts Receivable line of credit. The Treasurer's office is currently reviewing the revised language.

6. The Authority has received additional document requests from the Internal Revenue Service with respect to bonds issued by the Authority in 1993 for Deborah Heart and Lung Center and in 1994 for Jersey Shore Medical Center. This is the main reason that Meridian has postponed the contingent bond sale. There is an investigation by the IRS on bonds that they are looking to refund. Earlier document requests were considered routine but the latest document requests indicate that the IRS intends to contend that the bonds are taxable as a result of modifications made to the bonds by Total Return Swap transactions undertaken in 2004. The Authority will be engaging counsel to represent it before the IRS, and this issue could be discussed further in the planned Executive Session.

7. As approved by the Authority Members at the Authority's meeting on February 3, 2011, Mr. Hopkins has executed a Voluntary Closing Agreement with the Internal Revenue Service regarding bonds issued by the Authority on behalf of Saint Barnabas Health Care System in 2001 and 2006. The Authority and Saint Barnabas pursued the Voluntary Closing Agreement as a result of the sale of a nursing home, partially financed by the 2001 and 2006 bonds, to a for-profit entity. Pursuant to the Voluntary Closing Agreement, Saint Barnabas will pay $5,963.89 to the IRS. The bonds will be able to remain outstanding and shall not be considered taxable. This

was a simple oversight by Barnabas when they sold that facility and failed to use those proceeds immediately for non-taxable purposes.

8. Also with respect to Barnabas, Mr. Hopkins has executed a document agreeing to temporarily reduce the days cash on hand requirement from 75 days to 55, through the end of 2013. This requirement is found in the Loan Agreements between Saint Barnabas and the Authority. The Master Trust Indenture has already been amended to permit 55 days cash on hand, which was part of the forebearance agreement between Saint Barnabas and the bondholders.

9. The Authority's 2010 Annual Report is complete and was provided to the Authority Members. Mr. Hopkins congratulated Linda Hughes on her first annual report for the Authority, which looks very attractive and professional.

10. Hospital News

a. Warren Hospital's proposed transaction with St. Luke's is undergoing CHAPA review by the Attorney General's office. A public hearing was held on October 13 and the Attorney General's office has until mid-December to prepare recommendations for consideration by the Superior Court. Upon approval of the transaction by the Court, the Authority will consider a contingent bond sale for Warren Hospital.

b. Hackensack University Medical Center's Certificate of Need application to reopen Pascack Hospital has been declared complete by the Department of Health and Senior Services. A public hearing will be scheduled in the Pascack Valley area followed by a hearing before the State Health Planning Board and culminating in a decision by the Commissioner of Health and Senior Services. Mr. Conroy clarified that the hearing was held the previous week and welcomed 1,500 attendees. He estimated that 95% were supportive of the application.

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

d. Jersey Shore Medical Center, Ocean Medical Center and Riverview Medical Center, all Meridian Health hospitals, were recognized by U.S. News and World Report as among the best hospitals in the New York metropolitan area.

e. Christ Hospital has signed a letter of intent with Prime Healthcare, a California based hospital corporation, pursuant to which Prime intends to acquire Christ. A Certificate of Need application has been filed with Department of Health and Senior Services and an application for CHAPA review has been filed with the Attorney General's office seeking approval of the transaction.

f. St. Joseph's has opened its new critical care center building in Paterson. The Authority had financed that construction.

Mr. Conroy asked if Staff had an anticipated closing date regarding Warren Hospital. Mr. Hopkins replied that it would largely depend on whether the Superior Court issues an order to show cause and if an appeal is filed. They are expecting an appeal might be filed by CHS, the institution that had a competing bid. Mr. Conroy asked if that would be the losing bidder's last chance. Mr. Hopkins confirmed that was the case, adding that the Authority is hoping to approve a contingent bond sale pending any appeal period running or any appeal being resolved.

This concluded the Executive Director's report.

12. EXECUTIVE SESSION

At this point, Mr. Escher asked the Members to meet in Executive Session to receive legal advice from the Attorney General's office and 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 receive advice from the Office of the Attorney General and to discuss potential IRS litigation. Mr. Conroy seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-31

> **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 receive legal advice from the Office of the Attorney General and 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.

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

As there was no further business to be addressed, following a motion by Mr. Lovell and a second by Dr. Kazmir, the Members voted unanimously to adjourn the meeting at 11:20 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 OCTOBER 27, 2011.

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Carole A. Conover, Assistant Secretary