Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on March 27, 2014 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** *were in attendance:*
Elisa Charters, Public Member (Chairing); Brian O'Neill, Designee of the Commissioner of Health; Mary Ann Kralik, Designee of the Commissioner of Banking & Insurance; Greg Lovell, Designee of the Commissioner of Human Services; Dr. Munr Kazmir, Public Member; and via telephone: Suzette Rodriguez, Public Member.

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Stephen Fillebrown, Ron Marmelstein, Suzanne Walton, Michael Ittleson, Carole Conover, Linda Hughes, Carl MacDonald, Bill McLaughlin, Ellen Lieber, Debra Coons, Paige Piotrowski, Taryn Jauss, Jessica Lucas, and Marji McAvoy.

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones and Brian McGarry, Attorney General's Office; Peter Simon, Governor's Authorities Unit; Grant Leidy of Deborah Heart and Lung Center; Dan Davis of CHE Trinity; John V. Cavaliere of McManimon, Scotland & Baumann, LLC; Kristi Flynn of Hawkins Delafield; Warren Broudy and Jill Ann Murphy of Mercadien; Sean Hopkins of New Jersey Hospital Association; Chuck Stafford of Ziegler; Dr. James T. Kostinas of David Kostinas & Associates; and via telephone: Marianne Cunningham of CHE Trinity; and Heidy Jeffery of Foley & Lardner.

CALL TO ORDER

Vice Chair Elisa Charters called the meeting to order at 10:05 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 23, 2013 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

a. February 27, 2014 Authority Meeting

Minutes from the Authority's February 27, 2014 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Mr. Lovell seconded. The vote was unanimous, and the motion carried.

2. NEGOTIATED PRIVATE PLACEMENT & INFORMATIONAL PRESENTATION Deborah Heart and Lung Center

Mr. Mark Hopkins informed the Members that his presentation would serve as both a request to proceed with a negotiated sale in the form of a private placement, as well as an informational presentation on the proposed refunding for Deborah Heart and Lung Center. He introduced Grant

Leidy, Vice President and Chief Financial Officer of Deborah. Mr. Hopkins informed the Members that Deborah signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $18 million, the proceeds of which will be used: to currently refund the Series 1993 bonds issued by this Authority on behalf of Deborah; to fund a debt service reserve; and to pay the related costs of issuance.

The Series 1993 Bonds were issued in the amount of $37.4 million and carry yields ranging from 5.6% to 6.3% with a final maturity in 2023. Approximately $17 million of these bonds remain outstanding, all of which will be refunded with the proceeds of the proposed bond issue.

The Members may recall that the 1993 bonds were the subject of an IRS examination related to a restructuring of the bonds through the use of a tender offer and total return swap causing an alleged reissuance of the bonds. The Authority and Deborah are still negotiating with the IRS. This would be discussed further in Executive Session. It is not believed that the IRS examination will have a negative effect on the issuance of the proposed refunding bonds but the Authority will seek the opinion of the Attorney General's Office and bond counsel prior to the Authority's consideration of the contingent bond sale.

Deborah is an 89-bed not-for-profit teaching and tertiary care hospital located in Browns Mills, New Jersey. Deborah provides comprehensive inpatient and outpatient cardiac, vascular, and pulmonary services. Deborah includes a wholly-owned, for-profit subsidiary, Advanced Medical Management Services, Inc., that provides management and billing services to customers throughout New Jersey.

Deborah has a unique charity mission and policy of not balance billing patients or their families. This policy has historically been supported by annual cash contributions from the Deborah Hospital Foundation and direct public support, as evidenced by the financial information included with the mailing. The center typically budgets for and usually incurs an operating loss. The results of its fiscal audit indicate that the center had losses from operations of $2.11 million for 2012 and losses from operations of $6.76 million for 2011. However, when combined with the contributions of the foundation, the center had an excess of revenues and gains over expenses of $2.39 million for 2012 and a deficiency of $1.69 million in 2011. This deficiency is attributable to increases in non-cash accruals, primarily the depreciation expense. The financial information also indicates that Deborah's days cash on hand was 26.73 days, and its cushion ratio was 2.19 times, both materially lower than the statewide median for similar institutions. Unaudited financial results for 2013 indicate an operating gain of $5.65 million and excess of revenue and gains over expenses of $10.44 million.

Similar to the security provided for the Series 1993 Bonds, it is anticipated that the foundation will enter into a Subsidy Agreement with Deborah that requires it to make payments that, when combined with other available cash, will enable Deborah to pay operating expenses; capital expenditures; all sums payable under the proposed Series 2014 Bonds Loan Agreement and all other cashflow requirements of Deborah.

Deborah has asked that the Authority permit the use of a negotiated sale based on the sale of bonds for a complex or poor credit. This reason is considered, under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale, therefore, Mr. Hopkins recommended the consideration of the resolution, included in the meeting materials, 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.

Given that Deborah's credit rating is currently B1 from Moody's and B from Fitch, it is highly unlikely that a publicly offered refunding transaction could be successfully marketed to achieve present value savings. However, a preliminary analysis of the proposed private placement indicates present value savings of approximately 8.10% or $1.427 million of the refunded bonds. Therefore, management determined that a private placement, with the terms offered by the proposed purchaser, Siemens Public, was the best opportunity to achieve its goal.

Should the Members approve this request to pursue a negotiated private placement, it is anticipated that Staff will be requesting approval of a contingent sale of bonds at the Authority's April Meeting.

Mr. O'Neill noted that there were significant ties between Deborah and its foundation and asked for an explanation of the foundation's solvency and if the relationship would continue. Mr. Liedy noted that the foundation's entire reason for being was to support the center and its unique mission. He noted that both had a good year in 2013 as evidenced by positive operating margins. At year-end 2012, the foundation had unencumbered cash or investments of $16.8 million and in 2013, it was $19.6 million.

Mr. O'Neill noted that Deborah had received hospital stabilization funds last year and asked if Deborah still would have been profitable without the funds, and Mr. Liedy responded yes.

Ms. Charters asked the Members' pleasure with respect to the adoption of the Resolution supporting the issuance of revenue bonds by negotiated private placement pursuant to Executive Order #26 on behalf of Deborah Heart and Lung Center. Dr. Kazmir offered a motion to adopt the resolution; Mr. O'Neill seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-58

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby adopts the resolution entitled "RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26."

(attached)

3. AMENDMENT TO LOAN AGREEMENT
<u>Catholic Health East</u>

Mr. Carl MacDonald introduced Dan Davis, Director of Debt & Capital Management from CHE Trinity; Kristi Flynn of Hawkins Delafield; and John V. Cavaliere of McManimon, Scotland & Baumann, LLC who is serving as Bond Counsel. Also joining the meeting by phone were

Marianne Cunningham, Vice President of Debt Management/Treasury Services from CHE Trinity and Heidy Jeffery of Foley & Lardner.

He informed the Members that in May of last year, CHE and Trinity Health Corporation merged to form CHE Trinity Health, creating one of the largest multi-institutional Catholic health care delivery systems in the nation. The system provides health care services to residents in communities located in 21 states from coast to coast with 82 hospitals, 89 continuing care facilities and home health and hospice programs that provide nearly 2.8 million visits annually. With annual operating revenues of about $13.3 billion and assets of about $19.3 billion, the new organization returns almost $1 billion to its communities annually in the form of charity care and other community benefit programs. It employs more than 87,000 people, including 4,100 employed physicians. In April of 2007 and March of 2010, the Authority issued bonds on behalf of Catholic Health East, in aggregate principal amounts of $101.3 million and $130.7 million, respectively.

As a result of the merger, CHE and Trinity adopted the CHE Trinity Health Master Trust Indenture in October, 2013. Today, the system is seeking the Authority's approval to amend certain provisions in its existing Series 2007E and Series 2010 loan agreements in order to conform to the System's MTI. Specifically, the provisions to be amended include the following: With respect to sections related to financial reporting; required ratios; triggering events; and transfer of cash and marketable securities, all calculations will be measured based on the performance of the system as a whole.

Additionally, in financial reporting, given the size and complexity of the system and its financials, the current 45-day delivery timeline is no longer feasible. The system is requesting the ability to provide quarterly unaudited financials within 75 days after the close of each of the first three quarters and a letter from the Chief Financial Officer addressed to the Authority setting forth certain unaudited financial information within 75 days of the close of the fourth quarter, which would conform to the provisions in the system's MTI. In the section related to insurance, the system requests that the cancelation notice requirement be modified from its current 30 days to 10 days' notice, which conforms to current insurance industry standards. Lastly, In Section 5.16, Derivative Agreements, given the change in market conditions over the last few years, the system requests that any counterparty or guarantor be rated in one of the top three rating categories by a nationally recognized rating agency at the time a derivative agreement is executed.

Staff is requesting the Members' consideration of a resolution which authorizes an Authorized Officer of the Authority to execute an Amendment to the Loan Agreements Catholic Health East, Series 2007E and Series 2010 and to make certain modifications and changes to the covenants contained in the Loan Agreements between the Authority and the institution.

Ms. Charters asked Mr. Hopkins if the Authority Staff was comfortable with the timing changes, and Mr. Hopkins responded that Staff was reluctantly comfortable. They were requested by CHE Trinity because many of the Authority's covenants and ratios are different than other states, and Trinity CHE has many issues in other states as the second-largest health care system in the country. It is trying to align all of its documents with one another. There was extensive give and take over these issues. CHE gave on several issues that the Authority was not willing to compromise on, and the Authority gave on what it was willing to compromise on.

In response to a question from Mr. O'Neill on the insurance issue being changed from 30 days to 10 days, Mr. Davis noted that CHE was ok with it and thought the notice period wasn't necessary, but the Authority asked if it could be moved from 30 days to 10 days. Mr. Cavaliere added that CHE wanted to remove the provision entirely. He also noted that the Authority recognized that 30 days is a long period of time and most insurers don't provide that anymore. The most important thing was that the Authority would be notified prior to the cancellation of insurance and most insurers these days, the best they can do is give 10 days' notice and that's the most they will agree to. The Authority was willing to compromise, and rather than have no notification, it was willing to accept 10 days.

Mr. O'Neill stated that in New Jersey, there have been problems with derivatives and asked what the impetus was for lowering the rating. Mr. Davis noted that if it stayed with the two highest rating categories, it would be a limited field of only two or three banks that could meet that criteria. Lowering the criteria opens up the field.

In regards to extending the reporting timeline to 75 days, Mr. O'Neill noted that bigger systems typically close their financial statements faster and asked what the reasoning was for the longer timeline. Mr. Davis noted that all of the other existing Trinity agreements in the system were at 75 days, and they were trying to conform to the larger system. He also noted that because of the amount of work to consolidate financials and to provide the appropriate level of review, it would need more time.

Mr. Hopkins added that the Authority separately collects data from New Jersey CHE Trinity entities through the APOLLO and Early Warning System programs and always receives the data on schedule.

Dr. Kazmir made a motion to approve the amendment to the Loan Agreements related to Catholic Health East Series 2007E and Series 2010 bonds. Mr. O'Neill seconded the motion. The vote was unanimous, and the motion carried.

AB RESOLUTION NO. NN-59

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the amendment to the Loan Agreements related to Catholic Health East Series 2007E and Series 2010 bonds.

(attached)

4. APPROVAL OF CLOSING AGREEMENT WITH IRS ON BEHALF OF CATHOLIC HEALTH EAST

Mr. Hopkins informed the Members that the Authority issued bonds in several series on behalf of Catholic Health East (CHE), of which $2,575,000 was allocated to Lourdes Medical Center of

Burlington County. The bonds in question were issued in 1999, 2007 and 2010.

On February 1, 2011, Lourdes agreed to sell a wing of its facility plus some common areas to a for-profit, long-term acute care specialty hospital, causing an allocable portion of the bonds to fail to meet the rules for tax-exempt bonds. Subsequent to the sale, CHE realized it had violated the Internal Revenue Code (IRC) and voluntarily reported the violation to the Internal Revenue Service.

CHE has since negotiated a Voluntary Closing Agreement, or a settlement, with the IRS. CHE has agreed to pay $281,000 to the IRS in order to finally and conclusively resolve the violation of the IRC triggered by the sale of a portion of the Lourdes facility. Absent this Voluntary Closing Agreement, all the bonds could be considered taxable.

According to IRS rules, the Authority is required to execute the Voluntary Closing Agreement as the issuer of the bonds. Nevertheless, CHE will be solely responsible for the settlement payment of $281,000.

The cover letter and closing agreement received from the IRS on Friday, March 21 and were provided to the Authority Members by e-mail on Tuesday, March 25 along with an explanatory memo. The cover letter states that the closing agreement must be returned by April 18, 2014. Staff is recommending that the Authority Members approve the Closing Agreement and authorize an Authorized Officer of the Authority to execute the Closing Agreement.

Dr. Kazmir made a motion to approve the closing agreement and authorize an Authorized Officer to execute the closing agreement with the IRS regarding bonds issued by the Authority on behalf of Catholic Health East. Mr. Lovell seconded the motion. The vote was unanimous, and the motion carried.

AB RESOLUTION NO. NN-60

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the closing agreement and authorizes an Authorized Officer to execute the closing agreement with the IRS regarding bonds issued by the Authority on behalf of Catholic Health East.

5. AUDIT COMMITTEE REPORT

Mr. O’Neill, a Member of the Audit Committee, presented the Audit Committee report to Members. He reported that representatives from Mercadien presented the Authority’s 2013 Audit - including the Single Audit of the HIE Grant - to the Audit Committee on March 11, after which the Committee voted to approve the audit. Mr. O’Neill told Members that today the Audit Committee would be seeking Members’ approval of the 2013 Audit, as well as approving its submission to the Governor, members of the Legislature, the Secretary of State, and the Comptroller of the Treasury, as is required by the Authority's enabling legislation.

Mr. O'Neill reported that the Authority received an unmodified audit opinion, formerly called an unqualified opinion, which is the highest level of audit opinion that can be received. He reported that the auditors found:

i. No significant or unusual Authority transactions
ii. No audit adjustments
iii. No difficulties dealing with management.
iv. There was one uncorrected misstatement, which was deemed immaterial but did have to be disclosed. It was related to the grant and had zero net effect on the balance sheet.
v. In regards to major accounting estimates, all estimation processes appeared appropriate.
vi. In regards to the Single Audit of the HIE Grant, there was an unmodified opinion on the compliance of the award, meaning it was a clean opinion.

Ms. Charters noted that the audit was a very thorough process and commended Authority Staff for their work throughout the year. She also thanked the Audit Committee for their work and Mr. O'Neill for his presentation.

As there were no further questions or comments, Mr. O'Neill made a motion for the Members to approve the 2013 Audit, and submit it according to the Authority's enabling legislation. Dr. Kazmir seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-61

NOW, THEREFORE, BE IT RESOLVED, that Authority Members hereby approve a resolution to authorize the 2013 Audit's approval and submission to the Governor, members of the Legislature, the Secretary of State, and the Comptroller of the Treasury, as is required by the Authority's enabling legislation.

6. APPROVAL OF EXPENSES

Ms. Charters asked Mr. Michael Ittleson to update Members on a change to one of the bills. Mr. Ittleson informed the Members that in the board packet that the Members received, there was included in the memo for the approval of Authority expenditures an invoice for the Authority's annual employer pension expense in the amount of $183,114.00. However, on Monday the Authority received a revised invoice as a result of revisions made to the July 1, 2012 actuarial report. The revisions have resulted in an $18,666.00 decrease or a little over a 10% reduction in the amount due. The new amount due is $164,448.00, and the new total amount of general operating expenses that Staff is now asking the Members to approve is $186,828.83.

As a side note this revision all together covered approximately 1,700 authorities, municipalities, school districts, commissions and other local groups. The original billing totaled $835,743,540 and the overall decrease in the billings was $85,193,791, or a little over a 10% reduction for a revised total billing of $750,549,749.

Dr. Kazmir offered a motion to approve the bills and to authorize their payment; Mr. Lovell seconded. The vote was unanimous, and the motion carried.

AB RESOLUTION NO. NN-62

WHEREAS, the members of the Authority have reviewed the memoranda dated March 19, 2014, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the revised amounts of $10,500.00 and $186,828.83 respectively, and have found such expenses to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the members of the Authority hereby approve all expenses as submitted, and authorize the execution of checks representing the payment thereof.

7. STAFF REPORTS

Ms. Charters 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. He reminded the Authority Members and Senior Staff that they are required to file Financial Disclosure Statements with the State Ethics Commission by no later than May 15, 2014. Filings must be made electronically through the State Ethics Commission website. Late filers will be subject to a fine of up to $50 per day. Authority Members are required to file the somewhat less onerous disclosure for Public Officers (not Public Employees). If Members have any questions about the process they should call Mr. Hopkins or Robin Piotrowski, the Authority's Ethics Liaison Officer.

2. Mr. Hopkins informed members of the Audit Committee that he would request that they stay after the next Authority meeting in April to discuss the auditor's contract.

3. NJ Hospital & Health Care Organization News

a. The New Jersey Hospital Association released its annual Community Benefit Report earlier this month, which noted that New Jersey hospitals provided $2.58 billion in community benefits through free and discounted health care, immunizations and other wellness programs, education, medical research and other programs.

b. Ocean Medical Center, part of the Meridian Health system, opened its new emergency department early this month. The new "Hirair and Anna Hovnanian Emergency Care Center" cost $82 million, with $10 million coming from private donors including $5 million from the Hovnanian family. It features 49 private rooms with dedicated areas for behavioral health and pediatrics. It will be able to accommodate up to 70,000 visits each year. Currently, Ocean Medical Center's emergency department treats over 55,000 patients per year.

c. Deborah Heart and Lung Center opened a new $4 million hybrid operating room. The 1,000 square foot room allows both surgeons and interventional cardiologists to work together and can provide real time imaging.

d. University Hospital recently upgraded the furniture in most of its patient rooms and its beds in all of its patient rooms.

e. Princeton HealthCare has closed on the sale of its former hospital campus on Witherspoon Street. The property was sold to Avalon Princeton LLC, which plans to build 280 residential units on the site.

f. The proposed sale of St. Mary's to Prime Healthcare Services is still awaiting final approval or denial of the Certificate of Need from the Commissioner of Health and the court hearing to determine if it meets the requirements of the Community Healthcare Assets Protection Act ("CHAPA"). These are expected to be completed in the next three months. An article about the State's contract to pay debt service on the St. Mary's bonds was provided.

g. The CN and CHAPA applications for the sale of St. Michael's Medical Center to Prime Healthcare Services have not yet been declared complete. Therefore, those regulatory processes have not begun the regulatory timeline.

h. Monmouth Medical Center has named David McClung as its Chief Financial Officer. Mr. McClung previously served as CFO at the Portsmouth Regional Hospital in Portsmouth, New Hampshire, the CJW Medical Center in Richmond, Virginia and the Presbyterian/St. Luke's Medical Center in Denver, Colorado.

i. Robert Wood Johnson University Hospital Hamilton has named L. Gil Cottle as its new Chief Financial Officer and Senior Vice President. Mr. Cottle previously worked at St. Christopher's Hospital for Children in Philadelphia, Pennsylvania and Columbia Arlington Health System in Arlington, Virginia.

j. Inside Jersey magazine, with Castle Connelly Medical, has listed its choice for the top hospitals in several different categories for 2014. An article was provided, which contains a link to the list.

k. The New Jersey Hospital Association awarded its 2014 Community Outreach Awards to Bayonne Medical Center's Neighborhood Health Center, the stroke education and screening program at Overlook Medical Center and the diabetes outreach program to the Hispanic community at Somerset Medical Center.

l. Fitch has affirmed the BBB rating on approximately $30 million of bonds issued by the Authority on behalf of Children's Specialized Hospital. The rating outlook has improved from stable to positive.

m. Robert Wood Johnson University Hospital has signed a clinical collaboration agreement with MinuteClinics located inside select CVS stores in Middlesex and Mercer Counties. They will collaborate on patient education, disease management and information on the services offered by each entity.

n. NJ Spotlight has written an explanation of how New Jersey's healthcare deregulation in 1992 has affected nationwide healthcare reform today and the State's charity care payment system.

4. Health Care Reform

a. Barnabas Health System and CentraState Healthcare System separately announced that they are launching their own health insurance plans. CentraState's plan started on March 1 and is offered to small and medium businesses through Affiliated Physicians and Employers Health and managed by QualCare. Barnabas' plan is scheduled to begin in 2015 with a yet to be identified insurance company as a partner. The plan will be available to individuals and small employers and will be offered on the health care exchanges created by the Affordable Care Act in 2016.

b. Hackensack University Medical Center, JFK Medical Center and Lourdes Health System have announced the formation of collaborative Accountable Care Organizations with Horizon Blue Cross Blue Shield. An article on Horizon's ACA inspired efforts throughout the State was provided.

c. Capital Health Regional Medical Center in Trenton is collaborating with the Henry J. Austin Health Center to divert people away from the emergency room to a primary care doctor, when appropriate. This will also develop into a medical home for patients at the health center, where they will receive consistent primary and preventive care in the hopes of avoiding the need for acute care at the hospital.

d. Dr. Neil Holland, a neurologist at Monmouth Medical Center, offers his patients virtual house calls through video and internet technology. This saves patients with debilitating diseases the money, time and sometimes pain it causes them to transport themselves to the doctor's office or hospital.

e. A study by Weill Cornell Medical College has found that the use of health information exchanges may be reducing unnecessary hospitalizations and saving money, concluding that "emergency department physicians are less likely to admit patients to the hospital when they have readily available electronic access to those patient's health records."

f. Medicaid Accountable Care Organizations may show promise for reducing the costs of Medicaid patients to the State of New Jersey. The rules for Medicaid ACOs are expected to be completed shortly and are expected to realign the incentives among health care providers to reward improving and maintaining patient's health rather than payment per treatment provided. Two articles on this topic were provided.

g. An article from the New York Times was also provided that gives examples of how closed hospitals are being converted to medical malls.

h. The Governor's proposed budget has reduced Charity Care payments to hospitals from $675 million in State fiscal year 2014 to $650 million in State fiscal year 2015. The change is largely a result of hospitals providing less charity care, falling from $1.03 billion to $997 million between 2010 and 2012. This decline took place even before most of the benefits from the Affordable Care Act, such as expanded Medicaid eligibility and expansion of other available insurance coverage.

5. Tax Law: Tax-Exempt Bond Reform

a. President Obama's proposed budget includes a 28% cap on the exemption for all municipal bonds. The Chair of the House Ways & Means committee, Dave Camp, has proposed the elimination of all private activity tax-exempt bonds, which are bonds for projects by private entities such as not-for-profit organizations, including hospitals and colleges, as well as other non-governmental entities. The President's proposal would lower the savings tax-exempt bonds provide to our hospitals and probably curtail our bond issuance somewhat. Chairman Camp's proposal would completely end any new business for the Authority. The good news, however, is that prognosticators have determined that there is virtually no chance of either budget passing this year. But, this will remain a concern for the Authority in future years.

6. Securities Regulation

a. The Securities and Exchange Commission is encouraging issuers and underwriters to self-report certain violations of the federal securities laws rather than wait for them to be detected. The encouragement, similar to the IRS voluntary closing agreements, consists of recommending favorable settlement terms for voluntary reporting violations, such as inaccurate statements in bond documents about prior compliance with continuing disclosure obligations. This is consistent with the SEC increased scrutiny of compliance of continuing disclosure obligations, which are supposed to provide municipal bond investors with timely and transparent material financial information on the obligors of municipal bonds.

7. Legislation

a. The Social Innovation Act has been reintroduced in the State Senate and Assembly. Its goal is to create a private/public partnership to encourage investment in programs that will reduce costs to federal, State and local taxpayers. It sets up a pilot program to reduce health care costs by providing guarantees for loans from private lenders to health care providers to reduce health care costs. The act proposes to house the program at the Economic Development Authority. Mr. Hopkins is in the process of lobbying for the program to be housed at this Authority.

8. Authority News

a. Marji McAvoy, the Authority's Senior Account Administrator is celebrating her 20th anniversary with the Authority this month.

b. The Authority has subscribed to an education program provided to other State departments and agencies by the Civil Service Commission. Education modules are available for ethics, diversity and discrimination training as well as for numerous office, management, IT and software programs. The Authority staff will have access to the training software online until June 30 and then may choose to extend it through the next State fiscal year if we find it beneficial. The Authority received a pro-rated discount for this year. If it chooses to extend, the cost of access will be $1,500 per year, which includes five licensed users, plus $65 per licensed user beyond the first five.

c. Jennifer Velez, the Commissioner of Human Services, was named by NJBiz magazine as the most powerful person in New Jersey health care. Department of Health Commissioner Mary O'Dowd ranked 6th on the list. Mr. Hopkins was humbled to report that he was named at 25th on the list and, appropriately, the description noted Steve Fillebrown's important role in health care as well.

8. EXECTUIVE SESSION

At this point, Ms. Charters asked the Members to meet in Executive Session to discuss potential litigation and receive legal advice regarding Deborah Heart & Lung Center and Jersey Shore Medical Center and to discuss contractual negotiations. As permitted by the Open Public Meetings Act and the Authority's By-laws, Dr. Kazmir moved to meet in Executive Session. Mr. Lovell seconded. The vote was unanimous and the motion carried. Ms. Charters noted that the results of this discussion will be made public when the need for confidentiality no longer exists.

AB RESOLUTION NO. NN-63

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 and receive legal advice regarding Deborah Heart & Lung Center and Jersey Shore Medical Center and to discuss contractual negotiations,

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. It was noted that Executive Session also contained discussions of contractual negotiations and potential litigation regarding St. Michael's Medical Center.

9. EDUCATIONAL PRESENTATIONS

a. New Jersey Hospital Association

Ms. Charters invited Sean Hopkins, Senior Vice President of Health Economics for the New Jersey Hospital Association to present information on the concerns of hospitals in New Jersey.

Mr. Hopkins guided Members through a PowerPoint presentation (on file at the Authority) highlighting the major issues taking place in the New Jersey hospital community.

b. DSRIP

Mr. O'Neill provided a slideshow overview of the State's DSRIP program (on file at the Authority).

As there was no further business to be addressed, Dr. Kazmir made a motion to adjourn and Mr. Lovell seconded. Ms. Charters, Mr. O'Neill, Ms. Kralik, Mr. Lovell and Dr. Kazmir voted to adjourn the meeting at 11:50 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 MARCH 27, 2014.

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Carole A. Conover, Assistant Secretary