Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on April 24, 2008 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:
Gus Escher, Public Member (Chairing as Vice Chair); Ulysses Lee, Public Member (via telephone); Eileen Stokley, Designee of the Commissioner of Human Services; William Conroy, Designee of the Commissioner of Health and Senior Services (via telephone); and Frank Cipriani, Designee of the Commissioner of Banking and Insurance.

The following **Authority staff members** were in attendance:
Mark Hopkins, Dennis Hancock, Steve Fillebrown, Lou George, Bill McLaughlin, Suzanne Walton, Susan Tonry, Bob Day, Carole Conover, Michael Ittleson, Ron Marmelstein, Robin Piotrowski, Marji McAvoy, and Stephanie Bilovsky.

The following **representatives from State offices and/or the public** were in attendance:
Jim Brant, Underwood-Memorial Hospital; John Kelly, Wilentz, Goldman & Spitzer; Ken Bateman, Jim DeRosa, Somerset Medical Center; Jim Lawler, Vivek Garipalli, IJKG Propco, Inc.; Scott Thiel, Debbie Schwalb, Joe Dattoli, Deutsche Bank; Tricia Gasparine, McManimon & Scotland; John Grywalski, Cathedral Health System; Jim Freis, Drinker Biddle; Gary Walsh, Windels Marx Lane & Mittendorf; Randal Schultz, Catholic Health East; Jack Swire, Kari Fazio, Wachovia Bank; James Fagan, NW Financial; Joan Marron, UBS; Howard Eichenbaum, Gluck Walrath; John Brodsley, Fairmount Capital; Linda Schneider, US Bank; Brian Francz, New Jersey Office of Management and Budget; Scott Kobler, McCarter & English; Erica Tantorieas, Brigid Tonry, Sean Tonry, Colin Tonry, Jonathan Donahue, Jocelyn Donahue, Akanksha Thukral, Kairav Thukral, staff family members; Joseph Neal, Governor's Authorities Unit; and, Cliff Rones, Deputy Attorney General.

CALL TO ORDER

Gus Escher 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 24, 2007 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post,* enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

APPROVAL OF MINUTES

A. March 27, 2008 Authority Meeting

Minutes from the Authority's March 28, 2008 meeting were presented for approval. Mr. Conroy offered a motion to approve the minutes; Mr. Cipriani seconded. Mr. Escher abstained, Mr. Lee voted yes, Ms. Stokley voted yes, Mr. Conroy voted yes, and Mr. Cipriani voted yes. The minutes were approved.

B. April 8, 2008 Special Meeting

Minutes from the Authority's April 8, 2008 special meeting were presented for approval. Ms. Stokley offered a motion to approve the minutes; Mr. Conroy seconded. Mr. Escher voted yes, Mr. Lee abstained, Ms. Stokley voted yes, Mr. Conroy voted yes, and Mr. Cipriani voted yes. The minutes were approved.

BOND SALE REPORT

Dennis Hancock reminded the Members that in December, the Authority and Meridian Health System closed on five tranches of auction rate securities insured by Assured Guaranty totaling approximately $242 million. The interest rates on those bonds reset weekly, and for the first 6 to 8 weeks the rates were typically in the 3.5 to 4% range. In the middle of February, the auction rate market collapsed because of credit and liquidity concerns. The auctions for Meridian's tranches failed and the interest rates were set at the maximum level of 12%. The market has adjusted somewhat and the interest rates on current auctions are in the 5 to 6% range.

Meridian decided to extricate itself from the auction market through a conversion, which was permitted under the documents. The necessary notices were sent to bondholders that the bonds would be tendered. Meridian decided to convert three tranches approximating $145 million into insured fixed rate securities; the remaining two tranches will be sold as variable rate demand notes using insurance for credit support and a letter of credit for liquidity. The pricing for the fixed rate conversion was completed on Wednesday, April 9th.

Because this was a conversion and not a primary issuance, the bonds had to be sold at par and with only one maturity, July 1, 2038. The remarketing agent worked with Meridian and the Authority and received excellent support from the market. The bonds were sold with a 5% coupon. The actual tender and conversion for these three tranches occurred earlier this week. The two remaining tranches will convert on May 1st and 2nd, and the initial weekly interest rate will be set at that time.

Atlantic Health System also had auction rate securities outstanding, and theirs approximated $335 million through Authority issuances in 2003, 2004, 2006 and 2007. These bonds also hit maximum interest rate levels mid-February. AHS decided to restructure their debt, but took a different path from Meridian. AHS worked with Bank of America and JPMorgan Chase to provide interim financing to tender their auction rate bonds and begin a new financing process through the Authority to refund the interim debt.

This week approximately $177,110,000 of unenhanced fixed rate bonds were sold based on AHS' rating of "A+/A1". Unlike the Meridian issue, since these bonds are a new issuance, discounts, premiums and serial and term maturities were all available to be used in marketing the bonds.

The structure included a significant amount of serial bonds, which have been the most difficult to sell in this market. Because of this, the Authority, AHS and the underwriting team used a retail order period on Tuesday to begin the formal marketing period followed by an institutional sale on Wednesday. The initial structure was comprised of serial bonds from 2009 through 2023 and a term bond in 2027. During the retail order period, only approximately $13 million of bonds were sold including $1.175 million of the 2023 maturity. On Wednesday morning the underwriter suggested that he would bifurcate the issue by maintaining the bonds sold during the retail order period and consolidate the remaining 2023 serial bonds into the term bond, making coupon changes to many of the longer serials.

After the order period, approximately $22 million of the serial bonds were unsold but the term bond was oversubscribed. The underwriter made an offer to underwrite with serials from 2009 to 2023 at yields ranging from 3% to 4.97% and a term bond in 2027 yielding of 5.03%. The overall all-in true interest cost came in at 5.025% and AHS and the Authority agreed to the offer. The remaining interim debt will be refinanced through the issuance of Variable Rate Demand Bonds using letters of credit from Bank of America and JPMorgan Chase.

This report was for informational purposes only; no action was required.

TEFRA HEARING & CONTINGENT BOND SALE
St. Michael's Medical Center

Mr. Escher announced that the following portion of the meeting will be considered a public hearing in connection with the proposed issuance of bonds on behalf of St. Michael's 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.

Mr. McLaughlin introduced Randal Schultz, Vice President of Capital Management and Strategy for Catholic Health East. He then stated that St. Michael's Medical Center ("St. Michael's"), an affiliate of Catholic Health East located in Newark, has entered into an asset purchase agreement with Cathedral Health Services and Columbus Hospital to acquire substantially all the assets and assume certain liabilities of three hospital facilities in Newark: St. Michael's Hospital, St. James Hospital, and Columbus Hospital. In order to satisfy certain conditions of the asset purchase agreement, the parties agree to close the acute-care facilities at St. James Hospital and Columbus Hospital and renovate and expand the facilities at St. Michael's to meet the increased demands of the service area population. As a result of the elimination of acute care services at St. James, this financing meets the eligibility requirements for use of the Hospital Asset Transformation Program. Further, the Treasurer has approved the State Contract with the Authority that provides security for a bond issuance not exceeding $265 million.

St. Michael's will enter into a loan agreement with the Authority outlining the covenants and requirements of the transaction. It should be noted that Cathedral has received both the Certificate of Need and Community Healthcare Asset Protection Act approvals that are necessary in order to close the acute care services at St. James and transfer ownership, however, the appeal period for the CHAPA approval is not yet complete. As with other transactions, the Authority will not permit the mailing of an offering document until the appeal period has expired without an appeal.

A Certificate of Need request has also been filed to permit the closure of Columbus Hospital and is expected to be heard by the State Health Planning Board on May 1st. This Certificate of Need has not yet been acted upon, however, St. Michael's plans to move forward on the acquisition with or without the approval and has agreed to deposit a portion of the purchase price for the repayment of the Authority's bonds related to Columbus.

Mr. McLaughlin stated that the timing of the acquisition is critical due to the poor financial condition of Cathedral and Columbus. The need to be in a position to seek the Authority's bond sale approval at this meeting compelled staff to submit documents to the Members that were not as complete as staff would normally like. As a result there have been some changes worth pointing out. Two sections of the loan agreement dealing with Financial and Other Reports (Section 6.6) and Certain Monitoring and Management Rights (Section 6.16) have been modified. Section 6.6 has been changed to provide the borrower additional time to supply the reports, especially during the first 18 months of operations, and to consolidate the certifications that are required. Section 6.16 has changed to clarify the testing periods and specific tests that will be used to determine whether a consultant report will be required. In addition, the method of selecting new management, if and when necessary, has been structured to give the Authority input.

BOND RESOLUTION

Tricia Gasparine of McManimon & Scotland, L.L.C. stated that the Bond Resolution authorizes the issuance of tax-exempt State Contract Bonds (Hospital Asset Transformation Program) Series 2008A Bonds in an aggregate principal amount not in excess of $265,000,000. The Series 2008A Bonds will bear a true interest cost at a fixed rate to maturity not to exceed 8.00%. The Series 2008A Bonds will mature no later than July 1, 2039 and may be subject to redemption prior to maturity if set forth therein, provided, that the redemption price will be no greater than 105%.

The Series 2008A Bonds will be secured by a contract with the State Treasurer under the New Jersey Hospital Asset Transformation Act along with a mortgage on certain of the property and a gross revenue pledge.

The Bond Resolution approves the form of and authorizes the execution of a Purchase Contract with Morgan Stanley & Co. Incorporated, as manager for the Series 2008A Bonds prior to the close of business on September 30, 2008. The Bond Resolution also approves the form of the Series 2008A Bonds, Preliminary Official Statement, State Contract, Escrow Deposit Agreements, Continuing Disclosure Agreement and the Loan Agreement. The Bond Resolution appoints The Bank of New York as Bond Trustee, Bond Registrar and Paying Agent. 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 advisable in connection with issuance, sale and delivery of, and security for the Series 2008A Bonds.

Mr. Hopkins added that the Treasurer's Office had just recently authorized the Authority to approve of this Hospital Asset Transformation Program State Contract bond resolution on behalf of St. Michael's. On the day prior to this meeting, the State Court in Newark approved the CHAPA request for the transfer of Saint James Hospital and St. Michael's. Normally the appeal period for such a court order would be 45 days. The two primary objectors to the transfer have since consented to the court's CHAPA order. Because these objectors have consented, and because time is of importance in this situation, Cathedral has filed a motion with the appeals court to truncate the appeal period. Mr. Freis added that they are requesting the appeal period be truncated to April 30th.

Regarding the closing of Columbus Hospital, Mr. Hopkins stated that the Certificate of Need hearing will be held on May 1st and Cathedral is working with the Attorney General's office in an attempt to remove the need for CHAPA approval since Columbus Hospital will be closed if the Certificate of Need is approved.

Mr. Escher asked about the time crunch, to which Mr. Hopkins stated that the three hospitals are currently running at an approximate loss of $6 million each month. At this rate, the hospitals will run out of funds by the end of April and payroll will not be met on May 9th. Mr. Hopkins added that the hospital is pursuing various options for a cash influx to remain open until a sale is possible.

Ms. Stokley asked for clarification of the mortgage and revenue pledge contained in the loan documents, to which it was replied that there is a mortgage and revenue pledge, however, they do not secure the bonds. The bonds will be backed by State appropriation. The mortgage and revenue pledge is for the Authority's benefit since St. Michael's would be making payments under the loan agreement, and the Authority would then return those funds to the State.

Ms. Stokley asked for further clarification on the changes made to Certain Monitoring and Management Rights (section 6.16 of the Loan Agreement). Mr. McLaughlin gave her a copy of the section which included both the old and new text. Mr. Hopkins explained that the changes reflect negotiations concerning ratios to use for specific tests as well as the Authority's right to require a consultant and participate in selecting new management. Originally, the Authority would have full control over selecting new management, however, St. Michael's requested that this be done in consultation with the hospital. If there is a difference in opinion between the Authority and the hospital on this matter, it would go to arbitration. The Authority agreed to this consideration and that is what is reflected in the new 6.16 language. Mr. Rones asked if the Members attending by phone would like to see the text. Mr. Conroy and Mr. Lee agreed that if what was stated is a true description of the changes, and they expect they are, there is no need to see the text.

Ms. Stokley noted that there have been some bills introduced requiring a change to the State constitution that would have the effect of members of the public being able to vote on whether or not to approve the issuance of State-backed bonds on a case by case basis. She asked if this will affect these bonds. Mr. Hopkins stated that the St. Michael's bonds will have closed by the time these bills can take effect due to the lengthy process of amending the State constitution. Because these bonds will already have been approved, at this point, it is believed that the bills have no material impact on these bonds. Mr. Hancock added that staff will continue to monitor the progress of these bills to ensure that there is no evidence that they will or can impact the payment of these bonds.

Mr. Escher asked the Members' pleasure with respect to the adoption of the Bond Resolution. Mr. Conroy moved that the document be approved. Mr. Cipriani seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-121

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 STATE CONTRACT BONDS (HOSPITAL ASSET TRANSFORMATION PROGRAM), SERIES 2008A."

Mr. Escher wished St. Michael's Medical Center luck with the sale and then closed the public hearing required by Section 147(f) of the Internal Revenue Code of 1986, as amended.

CONTINGENT BOND SALE
Underwood Memorial Hospital

Suzanne Walton introduced Jim Brant, Senior Vice President of Finance and Chief Financial Officer for Underwood-Memorial Hospital. She indicated that the Members of the Authority were being asked to consider a contingent sale of bonds on behalf of Underwood-Memorial Hospital ("Underwood") in an aggregate principal amount of $62,000,000. Further, she noted that the proceeds of the bonds would be used to currently refund all of the Authority's outstanding Series 2004 Bonds and pay the related costs of issuance.

Ms. Walton indicated that in January of 2004, Underwood issued approximately $65 million of variable auction rate certificates. Due to the recent collapse of the auction rate market, Underwood would like to refund these bonds through the use of letter-of-credit backed variable rate demand bonds. Underwood currently has related swaps outstanding that were intended to effectively create net synthetic fixed rate bonds when combined with the underlying auction rate bonds. By issuing variable rate bonds to refund the auction rate bonds, Underwood will maintain a lower cost, net fixed rate exposure and will not need to terminate the swap and make a substantial termination payment.

The transaction will be structured as a variable rate financing supported by a direct-pay letter of credit from UBS AG. The bonds will initially bear interest at the weekly interest rate but the documents allow for conversion to other interest rate modes including daily rates, short-term rates, long-term rates, fixed rates or auction rate securities upon receipt of an Opinion of Bond Counsel. Upon conversion, all outstanding bonds would be tendered and new bonds issued. Although the credit rating for the bonds has yet to be assigned, it is expected that the bonds will reflect the credit ratings of the letter of credit provider, which is rated "VMIG1" by Moody's Investors Services, Inc. and "A-1+" from Standard & Poor's Ratings Services.

Ms. Walton noted that Underwood provided projections for 2008 and 2009 which had been reviewed by staff and was included in the meeting mailing material.

BOND RESOLUTION

John Kelly, Esq., of Wilentz, Goldman & Spitzer stated that the Bond Resolution authorizes the issuance of the Series 2008 bonds in an aggregate principal amount not to exceed $62 million and shall bear interest initially at a weekly interest rate not to exceed eight percent (8.0%) per annum and, thereafter, the interest rate on the Series 2008 Bonds shall not exceed twelve percent (12.0%) per annum, unless the Series 2008 Bonds are held by the Bank or a Liquidity Provider, in which case, the interest rate shall not exceed the maximum rate permitted under the laws of the State of New Jersey. The Bonds will have a final maturity of no later than July 1, 2033 and be subject to redemption prior to maturity on such terms and conditions, as shall be set forth in the Trust Agreement; provided, that the redemption price may be no greater than 105%. The Bonds will be paid from draws on the direct pay Letter of Credit to be issued by UBS AG and under the terms of a Reimbursement Agreement. The Hospital will be obligated to reimburse the Bank for draws on the Letter of Credit.

The Bond Resolution approves the form of and authorizes the execution of a Bond Purchase Contract prior to close of business on July 23, 2008 with the condition that the underwriter's discount may not exceed $2.52 per $1,000 principal amount of the Bonds. The Bond Resolution also approves the form of the Bonds, the Loan Agreement, the Trust Agreement, the Remarketing Agreement and the Official Statement and authorizes the Authorized Officers of the Authority to execute such documents in the form presented to the Authority with such changes as Counsel may advise and the executing Authorized Officer may approve. The Bond Resolution authorizes the securing of the Bonds by the Letter of Credit issued pursuant to the Reimbursement Agreement. The Bond Resolution further appoints The Bank of New York as Trustee, Tender Agent, Paying Agent and Bond Registrar for the Bonds and appoints UBS Securities LLC as the initial Remarketing Agent for the Bonds. Finally, the Bond Resolution authorizes and directs the Authorized Officers to execute and deliver such other documents, including, without limitation, the Letter of Instructions, and to take such other action as may be necessary or appropriate in order to effectuate the execution and delivery of the documents authorized under the Bond Resolution and the completion of the Refunding and the issuance and sale of the Series 2008 Bonds.

Mr. Escher asked the Members' pleasure with respect to the adoption of the Bond Resolution. Mr. Cipriani moved that the document be approved. Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-122

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 VARIABLE RATE DEMAND REVENUE REFUNDING BONDS, UNDERWOOD-MEMORIAL HOSPITAL ISSUE, SERIES 2008.

INFORMATION PRESENTATION & PROJECTIONS

IJKG Propco, LLC

Bill McLaughlin reported that IJKG Propco, LLC is working with the Authority to complete a taxable financing to provide funds to refinance the acquisition of Bayonne Medical Center, which would include the repayment of loans to KIMCO and the Authority. In addition, it may seek to finance capital improvements and equipment, provide for working capital, and pay costs of issuance. The financing may be as much as $35 million in total; however, the details of the structure have not yet been finalized. The Authority has approved the use of a private placement for the bonds and NW Financial has been selected as the placement agent.

He then stated that Steve Fillebrown would present the project projections from IJKG Propco's management. Mr. Fillebrown noted that the forecast period covers 2008 to 2012. He stated that the borrower is technically IJKG Propco, the company that owns the hospital facilities. However, IJKG Propco's entire revenue stream consists of lease payments from IJKG, Opco, which is the company that actually operates Bayonne Hospital Center. Therefore, the projections include figures for both entities.

The projections demonstrate that, for the combined entity, profit margin is .75% in 2008 and about 3.6% for the rest of the forecast period. The combined debt service coverage ratio is 1.60 in 2008 but rises to 2.49 in 2009 and increases slightly through the rest of the forecast period. Days cash on hand starts at 22 days and rises slowly throughout the forecast period, reaching 56 days in 2012. Accounts receivable remain in the low 40's throughout the forecast period. Accounts payable starts at 79 days and declines steadily to 61 days by 2012. Satisfaction of outstanding pension liability and gradual elimination of an AR based line of credit account for the drop.

Mr. Fillebrown then presented the key assumptions used for the projections. The most critical assumption in these projections is the forecast growth in volume, which predicts that admissions will be up 13% in 2008 and 34% in 2009. It assumes similar trends in ER and outpatient visits. Reasons given for these substantial increases include: the recapture of admissions lost during bankruptcy, additional outreach efforts with physicians, the restart of the obstetrics program, the closing of Greenville Hospital, the revitalization of the pediatric program, and new programs in geriatric psych and orthopedics.

Another critical assumption is the forecast drop in length of stay from 6 days to 5 days in 2008. Length of stay did decline in the third and fourth quarters of 2007 and was down to 5.5 days at year end, therefore, the assumption is that it can drop another half day in 2008.

Management cites a comparison of Bayonne's numbers against statewide averages as evidence of the potential for continued length of stay reduction and cites a continuing education effort with physicians as the primary method to achieve those reductions.

Mr. Fillebrown noted that revenue and expense projections are consistent with the assumed increases in volume, reflecting modest improvement in full-time equivalents per adjusted occupied bed and improvements in supply chain management. The projections also assume that: there will be a 3.5% inflation for revenues and expenses after 2009; a $5 million expense for Personal Protective Equipment in 2008 but only $1 million a year after that; and a 7% interest rate on bonds but that could change depending on structure and market conditions.

Mr. Escher asked about the reduction in length of stay from 6 days to 5, to which Mr. Fillebrown and Mr. Lawler stated that while Bayonne's length of stay numbers are higher than statewide medians, Hudson County numbers in general tend to be higher in this category. However, the higher number does show that there is room for improvement. Mr. Lawler went on to say that Bayonne's length of stay has continued to drop even since sending these projections to the Authority; the length of stay is now closer to 5.0 days. This is partly due to the hospital's physician education efforts which helped the physicians to realize that they could be part of the solution by working to reduce length of stay and reducing resource consumption. Also contributing is Bayonne's recent better use of the hospital's transitional care unit.

In response to a question from Mr. Conroy regarding attracting attending physicians, Mr. Lawler stated that Bayonne has experienced much improvement getting physicians for the outpatient areas. In terms of physician recruitment, Bayonne has received applications from physicians who had privileges at Greenville Hospital. Mr. Garipalli added that Bayonne has been working with twelve internists servicing the area just over the Bayonne Bridge at Richmond Hospital. The patients in this area live closer to Bayonne and efforts are being made to attract that business to the Bayonne facility rather than Richmond Hospital. Also, Bayonne is working to recruit physicians from Staten Island because, in New Jersey, it is legal for a physician to have a financial stake in a surgery center while it is not in New York. This is an attractive financial benefit that Bayonne can offer these physicians.

Ms. Stokley asked if Bayonne has planned to re-open the maternity ward, to which Mr. Lawler replied that it does plan to open it, hopefully in the end of 2008 or beginning of 2009, and he noted that the projections given to the Authority do include the assumption that the Maternity Unit is open and running by then. Ms. Stokley asked if the hospital is offering outpatient pre-natal in the meantime, to which Mr. Lawler stated that they are currently forming an association with a center to provide those services on the Bayonne campus.

Mr. Escher asked how the last three months have looked financially for the facility. Mr. Lawler began by thanking the Authority for the bridge loan which also led to the City of Bayonne's loaning of funds. Together, these funds allowed the facility to remain open and, having been operated by IJKG Propco, Inc. for 84 days, the facility is operating at virtually break even. He added that this is better than was projected in the projections given to the Authority for the bridge loan and this also slightly exceeds the projections presented at the meeting today. He thanked the Authority again for the bridge loan and for considering this transaction, too, on behalf of the hospital and the community of Bayonne.

This presentation was for informational purposes only; no action was required.

NEGOTIATED SALE REQUEST & INFORMATIONAL PRESENTATION
Somerset Medical Center

Mark Hopkins began by introducing Ken Bateman, the President and Chief Executive Officer of Somerset Medical Center and Jim DeRosa, the Assistant Vice President of Finance. He also informed the Members that this will serve as both a negotiated sale request and an informational presentation. Somerset Medical Center ("Somerset") has signed a Memorandum of Understanding with the Authority to undertake (i) a current refunding of approximately $23.3 million of outstanding bonds issued by the Authority on behalf of Somerset in 1994, (ii) finance approximately $2.5 million for equipment and other small capital expenditures, and (iii) possibly finance approximately $700,000 in penalty costs for breaking a fixed payer swap. With costs of issuance and other costs, Somerset is seeking to finance a total of approximately $28 million through the Authority.

Somerset is planning to refund the 1994 bonds because of recent events in the bond market, including the downgrade to below investment grade of FGIC, the bond insurer for the 1994A bonds, and the downgrade of Somerset to "Ba2". In 2004, Cain Brothers, acting as underwriter, completed a Tender Option Bond transaction for Somerset. The effect of the transaction was a synthetic refinancing of the 1994 bonds, which resulted in the purchase of the bonds by Morgan Stanley and entering into a fixed payer swap. At the time, Somerset reduced its interest on the bonds to 3.59% from 5.16%. However, as a result of the FGIC and Somerset downgrades, Morgan Stanley is able to require that Somerset cause the bonds to be refunded and terminate the total return swaps. Somerset has concluded that the most economical way for it to handle the transaction is to refund the bonds using variable rate demand bonds enhanced by a letter of credit provided by Commerce Bank.

Mr. Hopkins described Somerset Medical Center as a New Jersey not-for-profit corporation which owns and operates a 355-licensed bed acute care hospital in Somerville. Somerset is a subsidiary of Somerset Health Care Corporation. Other subsidiaries include Somerset Medical Center Foundation, Somerset Healthcare Enterprises, Somerset Health Care Affiliates, Somerset Community Care Corporation and New Jersey Health, Inc.

The Authority has issued a total of $134,375,000 in bonds on behalf of Somerset in 1981, 1994, 2003 and 2006. The 1981 bonds have been defeased. As of March 31, 2008 there was $27.2 million, $81.4 million and $15 million outstanding on the 1994, 2003 and 2006 bonds, respectively. All of the 1994 bonds are expected to be refunded by the 2008 bonds. The 2003 and 2006 bonds are expected to remain outstanding.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, Somerset generated a deficiency in revenues over expenses of approximately $7.5 million for 2007 and excess revenues over expenses of approximately $868,000 for 2006. Unaudited information through February of 2008 shows a gain from operations of $428,000. Somerset notes that the losses in 2007 are primarily from losses in volume and competition from an ambulatory surgery center that opened in April 2007. During 2008, however, Somerset has experienced increased admissions and has reduced its days in accounts receivable. It also expects to sell its Cancer Center, which will improve liquidity. It has reached a settlement in the Nurse Cullen case, which was within what the amount expected under their self-insurance policy. Finally, as a result of increased contributions to its pension plan over the last several years, Somerset expects that its 2008 pension liability will be reduced.

According to Mr. Hopkins, Somerset has asked that the Authority permit the use of a negotiated sale based on: (i) sale of a complex or poor credit; (ii) volatile market conditions; and (iii) the expected use of variable rate debt. These reasons are considered under the Authority's policy regarding Executive Order #26, to be justification for the use of a negotiated sale. Staff recommended the consideration of the resolution approving the use of a negotiated sale and the forwarding of a copy of the justification in support of this resolution to the State Treasurer.

Mr. Hopkins added that, after performing a competitive process, Somerset selected Commerce Capital Markets to serve as Senior Managing Underwriter and Remarketing Agent for the bonds. Additionally, Somerset researched several law firms from the Authority's qualified list and has received the Attorney General's approval to have the firm of Windels, Marx, Lane & Mittendorf serve as bond counsel.

Mr. Escher asked when the competing ambulatory center opened, to which Mr. Bateman stated that the facility opened in April of 2007 and its opening reduced Somerset's surgical volume by 20%. Somerset responded in the second half of 2007 by cutting expenses and the labor force to reflect the lower volume. After this recalibration of expenses, Somerset returned to profitability in 2008.

Ms. Stokley moved to adopt the resolution approving the pursuit of a negotiated sale on behalf of Somerset Medical Center, and the forwarding of a copy of the justification in support of said resolution to the State Treasurer. Mr. Cipriani seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-123
(attached)

QUALIFICATION OF DEUTSCHE BANK AS BOND TRUSTEE

Ron Marmelstein stated that Deutsche Bank requested that they be added to the Authority's approved list of trustee banks. A request for qualifications was sent to Deutsche Bank and the bank submitted their response on February 27, 2008.

The Authority staff reviewed the response and determined that Deutsche Bank met all required qualifications. Therefore, staff recommended that the Members approve adding Deutsche Bank as a qualified trustee for the Authority's bond issues. Mr. Cipriani moved to qualify Deutsche Bank as an Authority bond trustee; Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-124

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves adding Deutsche Bank to its list of banks qualified to be bond trustee for the Authority .

RELEASE OF MORTGAGES

A. Cathedral Health

Susan Tonry began by introducing John Grywalski, Executive Vice President and Chief Financial Officer of Cathedral Health System, Jim Freis from hospital counsel Drinker Biddle, and Gary Walsh representing the Authority as bond counsel. She reminded the Members that Cathedral Health System is working towards a sale of Saint Michael's Medical Center to Catholic Health East ("CHE").

In order for the hospital to continue operations until a sale can take place, the hospital needs to fill a $10 million cash shortfall expected in May. In order to obtain a bridge financing for this $10 million, the hospital has been asked to provide a first lien on the portion of the mortgage related to the St. James Hospital property. Because the Authority is the mortgagee of record on the St. James property, the hospital requests that the Authority release the portion of the mortgage related to St. James Hospital in order to facilitate the sale of the released property.

The US Department of Housing and Urban Development ("HUD") acting through the Federal Housing Administration ("FHA") insures payments under the mortgage. In a letter received April 22nd, HUD granted approval for the partial release of lien documents subject to the Authority's review and approval to execute a partial release of lien on the St. James Hospital property.

Ms. Tonry noted that bond counsel reviewed the documents and provided a form of opinion that the execution and partial release of mortgaged property: 1) will not adversely affect the tax exempt nature of the bonds, 2) does not violate the terms of other documents relating to the issuance of the bonds, and 3) does not adversely affect the rights of the bondholders in any material respect.

The Attorney General's office reviewed the proposed resolution and bond counsel's opinion with no objection. Therefore, on behalf of staff, Ms. Tonry requested that the Authority authorize the Executive Director and/or Deputy Executive Director to execute and deliver such documents as are necessary to provide for the partial release of mortgaged property in such form as is acceptable to bond counsel to the Authority, subject to written confirmation from HUD that all conditions have been satisfied.

Ms. Stokley asked if, given the pending Authority bond transaction, CHE agrees with the mortgage release, especially since it will reduce the value of the hospital from $14 million to $4 million. Mr. Hopkins replied stating that, with the intent to acquire all three hospitals and then sell the two facilities, while the sale price may be lower with the mortgage release, CHE would benefit from the interim liquidity. Randal Schultz from CHE added that the St. James Hospital needs the money facilitated by this mortgage release in order to stay viable, and since the hospital's value is deteriorating either with the full mortgage or with the release of mortgaged property, CHE would prefer to keep the hospital viable until a sale of the facility is possible. Ms. Stokley asked if HUD approved of the release, to which it was stated that it is the Authority's role to approve or disapprove, however, HUD does consent to the Authority's approval of the release.

Staff noted that it would prefer not to name a specific buyer of the property or source of the bridge loan in the motion. It was agreed by staff, the Members and Cathedral that the motion should move to "release a portion of St. James Hospital's mortgaged property, subject to written approval by HUD, an opinion of bond counsel that does not hinder the transaction, and a valid contract for sale or bridge loan." Mr. Cipriani offered the motion; Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-125

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves "A RESOLUTION AUTHORIZING THE RELEASE OF CERTAIN MORTGAGED PROPERTY SECURING THE MORTGAGED NOTE, AS, AMENDED, EXECUTED IN CONNECTION WITH THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE AND REFUNDING BONDS, CATHEDRAL HEALTH SERVICES ISSUE (FHA INSURED MORTGAGE), SERIES 1998 AND OTHER MATTERS" *(attached)* subject to written confirmation from the US Department of Housing and Urban

Development that all conditions have been satisfied, an opinion of bond counsel that does not hinder the transaction, and a valid contract for sale or bridge loan.

B. Jersey City Medical Center

Bob Day reported to the Members that Jersey City Medical Center ("JCMC") is seeking the Authority's consent to release the portion of the mortgage relating to a property occupied by Metropolitan Health Center Network known as the Garfield property. The Garfield property is not part of, or contiguous to, JCMC's main campus, which is the bulk of property securing the mortgage. JCMC has been advised by the US Department of Health and Human Services Health Resources Administration that, as a result of certain federal grants received for this facility, the Garfield Property cannot be used to secure the mortgage securing JCMC's Series 2001 and 2003 bonds. The Federal Housing Administration, the insurer of the bonds, has indicated that it will approve the release of the Garfield property from the mortgage.

The property to be released is not a significant part of the mortgaged property and the remaining portion is of a sufficient value to support the debt secured by the mortgage. Bond counsel has opined that that the release will not adversely affect the bondholders or affect the tax-exempt status of the Series 2001 and 2003 bonds. Based upon JCMC's request, advice of the Attorney General's office, advice of bond counsel, and subject to FHA approval, staff recommends approval of the resolution granting the property's release.

Mr. Conroy asked what the Garfield property is being used for, to which it was replied that the property is used as a federally qualified health care facility called Metropolitan Health Center Network. Ms. Stokley asked if there is intent to sell this property, to which Mr. Hopkins replied that JCMC does intend to sell the facility to the federally qualified health center currently operating it, however, the expected price is unknown at this time. Mr. Hancock clarified that the property was originally included in the mortgage because the financing was an FHA-insured transaction and in those transactions, FHA dictates the property to be mortgaged. Since the time of the financing, FHA has learned that this property cannot be included in the mortgage and, therefore, has verbally consented to the Authority's approval for its release.

Mr. Conroy offered a motion to release the Garfield property as security for a mortgage on behalf of Jersey City Medical Center, contingent upon the receipt of FHA's written consent; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-126

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves "A RESOLUTION AUTHORIZING THE RELEASE OF CERTAIN MORTGAGED PROPERTY SECURING THE MORTGAGED NOTE, AS AMENDED, EXECUTED IN CONNECTION WITH THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, JERSEY CITY MEDICAL CENTER ISSUE, (FHA INSURED MORTGAGE), SERIES 2001 AND SERIES 2003 AND OTHER MATTERS." *(attached)*

AMENDMENT TO THE 2008 BUDGET

Special Counsel for Barnert Bankruptcy

Marji McAvoy reminded the Members that Barnert Hospital filed for bankruptcy under Chapter 11 on August 15, 2007. The hospital's Series 1999 FHA-insured issue has an outstanding balance of $25,685,000. The Attorney General's office appointed the firm of Blank, Rome LLP to represent the Authority in the bankruptcy proceedings and to assist the Authority in the filing of claims for FHA insurance.

On April 8th, the mortgage for the 1999 issue was assigned to the U.S. Department of Housing and Urban Development. Ms. McAvoy reported that a partial mandatory redemption of these bonds is expected to be paid to bondholders today and the remainder is expected to be redeemed very soon.

At the Authority's December 2007 meeting, Members voted to increase the 2007 budget in order to pay the appointed bond counsel for their fees incurred through November 30, 2007. Ms. McAvoy stated that staff now requests that the 2008 budget be increased by $185,000 to pay the bond counsel fees incurred from December 1, 2007 through March 31, 2008, which total $150,499.01; plus an estimated $35,000 to pay expected future invoices.

Ms. Stokley asked if the bankruptcy proceedings, and the subsequent charges from Blank, Rome, are coming to an end, to which Mr. Hopkins explained that the bankruptcy proceedings are finished and the FHA claim is almost finished. Therefore, staff does not anticipate the services of Blank, Rome to increase greatly. It is hoped that the $35,000 requested at this meeting will cover the rest of the expenses.

Mr. Cipriani offered a motion to amend the 2008 budget in order to pay Blank, Rome LLP for services as Special FHA Counsel on the Barnert bankruptcy transaction; Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-127

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby amends its 2008 budget, increasing it by $185,000 in order to account for the payment of $150,499.01 to Blank, Rome LLP for fees incurred from December 1, 2007 through March 31, 2008, plus an estimated $35,000 to pay expected future invoices, for special counsel services regarding the Barnert Hospital bankruptcy.

2008 SET-ASIDE PLAN

Mr. Escher reported that, pursuant to the New Jersey Set-Aside Act, the Authority is required to annually file a Set-Aside Plan with the New Jersey Commerce Economic Growth & Tourism Commission. He noted that staff had provided the Members with a draft Small Business Set-Aside Plan for the calendar year 2008 that complies with all the criteria required by the Act, and staff now requested the Members' approval of this plan and authorization for it to be filed appropriately.

Mr. Escher asked if this plan has any relation to the Designation Committee that was created last year, to which Mr. Ittleson stated that, while the Designation Committee may have discussed the hiring of small businesses for Authority contracts, the committee itself was in reference to ensuring access to Authority contracts for women- and minority-owned businesses. The Set Aside Plan is part of a separate Act and set of requirements. Ms. Stokley offered a motion to approve the proposed 2008 Set-Aside Plan and authorize its submission to the New Jersey Commerce Economic Growth & Tourism Commission; Mr. Cipriani seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-128

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the 2008 Set-Aside Plan and authorizes its submission to the New Jersey

Commerce Economic Growth & Tourism Commission, pursuant to the New Jersey Set-Aside Act.

AUTHORITY EXPENSES

Mr. Escher referenced a summary of Authority expenses and invoices. Ms. Stokley offered a motion to approve the bills and to authorize their payment; Mr. Cipriani seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-129

WHEREAS, the Authority has reviewed memoranda dated April 17, 2008, 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 $491,397.62, $23,020.40 and $154,866.60 respectively, and has found such expenses to be appropriate;

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

STAFF REPORTS

Mr. Escher thanked staff for their preparation of staff reports, including the Project Development Summary, Cash Flow Statement, First Quarter Budget Report, and Legislative Advisory were distributed to the Members. Mr. Hopkins then offered the following items in his Executive Director's Report:

1. Authority Members are reminded that they are required to fill out State Financial Disclosure Forms by May 15, 2008. The annual filing of these forms was mandated by Governor Corzine's Executive Order No. 1. The Financial Disclosure forms are available online at http://www.state.nj.us/ethics/disclosure/. The forms may be filled out and submitted over the internet or printed and filed manually.
2. The Authority made a claim under the FHA Mortgage Insurance which insured the Barnert Mortgage. The first payment of $23.6 million was sent by HUD to the Trustee and bonds are expected to be redeemed today. An additional $2.7 million is still due.
3. In hospital news, **St. Mary's Hospital** has a new CEO. Colene Daniel started at St. Mary's on April 14th. She replaces Patricia Peterson who is retiring after serving at St. Mary's for nearly twenty years. Ms. Daniel previously was a hospital consultant, President and CEO at Maryland General Hospital and Health System, and Vice President of Corporate Service at Johns Hopkins Health Care System.

   In other St. Mary's news, the hospital is still working with several interested parties on the sale of the Pennington Avenue Campus. St. Mary's received a $2 million extension of its accounts receivable loan from HFG. HFG is also considering providing an additional $4 to $6 million bridge loan secured by the Pennington Avenue property. In order to secure the bridge loan with the

Pennington Avenue property, St. Mary's would need the consent of the Treasurer and an Authorized Officer of the Authority. A request for this consent will be discussed further during executive session. Without the bridge loan or the sale of the Pennington Avenue property, St. Mary's would likely experience a liquidity crisis in June.

Finally, the nurses union at St. Mary's voted to authorize a strike but has not given its ten-day strike notice. Negotiations are ongoing. Mr. Escher asked about the substance of the strike, to which staff replied that the strike is over unresolved issues about work rules such as lunch pay.

Liberty Health Care ceased the provision of all services except triage at its Greenville Hospital in Jersey City yesterday. Liberty Health announced that it would station an ambulance at the Greenville Hospital location to transport patients to other area hospitals. It was not clear how long that ambulance service would be provided.

Hackensack University Medical Center broke ground on its new four-story, 160,000-square-foot cancer center on April 15th. At the same time the hospital announced it received a $10 million donation from Helena Theurer of Park Ridge, the center will bear the name of her late husband, John Theurer.

The transfer of **Pascack Valley Hospital** to Hackensack University Medical Center and Touro Medical College has been delayed until the Attorney General's office can reach a conclusion on whether a CHAPA review is required. Pascack went into bankruptcy last year and closed in the fall. The bankruptcy court approved a sale on March 18th. If the Attorney General's Office determines the CHAPA process applies, the transfer cannot be completed until a court approves the transfer after a public hearing and receiving recommendations from the Attorney General's office. The new owners were expected to hold a public meeting to announce their plans for the facility, which are expected to include at least a satellite emergency department, other outpatient health care services and facilities for the medical school.

The certificate of need for the closure of **Barnert Hospital** will be considered at the State Health Planning Board's May 1st meeting. Barnert has been closed since the end of November and was purchased out of bankruptcy by a for-profit entity intending to create a medical mall.

Trinitas Hospital named Karen Lumpp as its new Chief Financial Officer. Karen was formerly at Atlantic Health System. She replaces the late Paul Dobrowski.

The **Valley Hospital** in Ridgewood ranked highest among hospitals in Bergen and Passaic counties for nine out of 10 measures of patient satisfaction, according to the federal government's first-ever comparison of patient experience at the nation's hospitals.

4. In Authority news, Sue Tonry, the Authority's Deputy Director of Research, Investor Relations and Compliance, celebrates her 5th anniversary with the Authority this month.

Authority Members have been provided with proposed dates for Authority Meetings and Finance Committee Meetings, as well as a blank slate of Authority Officers. Because the May meeting is the Authority's annual meeting, Authority

Members will be asked to approve a meeting schedule and vote on a slate of officers.

Deputy Executive Director Dennis Hancock celebrated the birth of his third grandchild on Tuesday morning. His daughter Lauryn and her husband Ben welcomed, a healthy 7 pound 7 ounce baby boy named George Hancock Blakesly.

Today is bring-your-child-to-work-day and a number of Authority staff members participated. Mr. Hopkins presented certificates to the following child participants:

- Erica Tantorieas – Mae Grant's Granddaughter
- Brigid, Sean and Colin Tonry – Sue Tonry's Children
- Jonathan and Jocelyn Donahue – Lorraine Donahue's Grandchildren; and
- Akanksha and Kairav Thukral – Nikki Thukral's children

Mr. Hopkins thanked Human Resources Manager Robin Piotrowski and her daughter Paige for putting together a half-day bring-your-child-to-work-day program. Paige Piotrowski received extra special thanks because she volunteered for this important task.

EXECUTIVE SESSION

At this point, Mr. Escher asked the Members to meet in Executive Session, as permitted by the Open Public Meetings Act and the Authority's By-Laws, to discuss contract negotiations regarding St. Mary's Hospital in Passaic. Ms. Stokley moved to meet in Executive Session for this purpose; Mr. Cipriani seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-130

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 contract negotiations regarding St. Mary's Hospital in Passaic, and

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. As there was no further business to be addressed, Ms. Stokley moved to adjourn the meeting, Mr. Cipriani seconded. The vote was unanimous, and the motion carried at 12:10 p.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY MEETING HELD ON APRIL 24, 2008.

Dennis Hancock
Assistant Secretary

AB RESOLUTION NO. HH-123

RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26

Somerset Medical Center

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

WHEREAS, the Authority issues its bonds from time to time for the achievement of its authorized purposes; and

WHEREAS, on October 25, 1994, the Governor issued Executive Order No. 26 which sets forth procedures by which an issuer may determine the method of sale of bonds or notes; and,

WHEREAS, on December 8, 1994, the Authority adopted Section 2 of its policy which was developed to implement Executive Order No. 26, which requires an Authority resolution to pursue a negotiated sale of bonds; and,

WHEREAS, on March 28, 1996, the Authority amended its policy related to Executive Order No. 26; and,

WHEREAS, the Authority's policy states that a negotiated sale of bonds will be conducted if it is determined by the Authority that it would better serve the requirements of a particular financing; and,

WHEREAS, a negotiated transaction would be permitted in circumstances including, but not limited to, the sale of bonds for a complex or poor credit; the development of a complex financing structure, including those transactions that involve the simultaneous sale of more than one series with each series structured differently; volatile market conditions; large issue size; programs or financial techniques that are new to investors; or, for variable rate transactions; and,

WHEREAS, Somerset Medical Center has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the "Financing"); and,

WHEREAS, Somerset Medical Center has requested that the Authority consider approving the pursuit of a negotiated sale; and,

WHEREAS, market conditions could be considered volatile; and,

WHEREAS, the Financing could be considered one for a complex or poor credit; and,

WHEREAS, Somerset Medical Center is considering the issuance of variable rate bonds for all or a portion of the Financing; and,

WHEREAS, the Authority is desirous of being responsive to Somerset Medical Center's request; and,

WHEREAS, the aforementioned resolution and justification in support of such resolution must be filed, within five days of its adoption, with the State Treasurer;

NOW, THEREFORE, BE IT RESOLVED, that, based upon the above findings, the Authority hereby determines that it would better serve the requirements of this Financing to conduct a negotiated sale; and,

BE IT FURTHER RESOLVED, that the Executive Director is hereby directed and authorized to transmit a copy of this Resolution and justification in support of such resolution to the State Treasurer.

AB RESOLUTION NO. HH-125

A RESOLUTION AUTHORIZING THE RELEASE OF CERTAIN MORTGAGED PROPERTY SECURING THE MORTGAGED NOTE, AS, AMENDED, EXECUTED IN CONNECTION WITH THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE AND REFUNDING BONDS, CATHEDRAL HEALTH SERVICES ISSUE (FHA INSURED MORTGAGE), SERIES 1998 AND OTHER MATTERS

WHEREAS, the Authority was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law P.L. 1972, c.29, as amended (N.J.S.A. 26:21-1, et seq.) (the "**Act**"), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey; and

WHEREAS, the Authority is authorized under the Act to make loans to "health care organizations" for the construction of "projects" (as such terms are defined in the Act) and to issue its bonds for the purpose of carrying out its powers under the Act; and

WHEREAS, Cathedral Health Services, Inc., a New Jersey nonprofit corporation (the "**Institution**") operates two (2) acute care hospital facilities located in Newark, New Jersey; and

WHEREAS, at the request of the Institution, the Authority has previously issued its Revenue and Refunding Bonds, Cathedral Health Services Issue (FHA Insured Mortgage), Series 1998 (the "**Series 1998 Bonds**") in the aggregate principal amount of $79,505,000 pursuant to the provisions of the Act and has loaned the proceeds of the Series 1998 Bonds (the "**Loan**") to the Institution pursuant to an Amendment to Loan Agreement dated as of February 1, 1998 amending the Loan Agreement dated as of December 1, 1990, both between the Institution and the Authority (together, the "**Loan Agreement**"); and

WHEREAS, the Loan is evidenced by a Mortgage Note dated January 9, 1991 from the Institution to the Authority, as amended by an Allonge to the Mortgage Note dated January 30, 1995 and a Second Allonge to the Mortgage Note dated as of April 2, 1998 (the "**Note**"); and

WHEREAS, the Note is secured by a Mortgage (as amended and modified, the "**Mortgage**") on certain real property of the Institution located in Newark, New Jersey (the "**Mortgaged Property**") and a security interest in certain equipment of the Institution and payments under the Note are insured by the United States Department of Housing and Urban Development, acting through the Federal Housing Commissioner (the "FHA"); and

WHEREAS, the Institution has requested that the Authority (i) release a portion of the Mortgaged Property in Newark, New Jersey comprising the campus for St. James Hospital (the "**Released Property**") from the lien of the Mortgage in order to permit the Institution to sell the Released Property; and

WHEREAS, none of the proceeds of the Series 1998 Bonds were issued to finance any portion of the Released Property, including any improvements thereon;

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

Section 1. Authorization. Each of the Chairman, Vice Chairman or Executive Director of the Authority is hereby authorized to execute such documents as are necessary to provide for the release from the lien of the Mortgage in the forms acceptable to Windels Marx Lane & Mittendorf, LLP, bond counsel to the Authority ("Bond Counsel") and counsel to FHA; provided that such authorization is conditioned upon receipt of (i) a letter from FHA consenting to such release and the satisfaction of all conditions set forth in such letter, and (ii) an opinion of Bond Counsel to the Authority, in substantially such form as presented at this meeting.

Section 2. Prior Resolutions. All prior resolutions of the Authority or portions thereof inconsistent herewith are hereby replaced.

Section 3. Effective Date. This Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery to the Governor of the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

AB RESOLUTION NO. HH-126

A RESOLUTION AUTHORIZING THE RELEASE OF CERTAIN MORTGAGED PROPERTY SECURING THE MORTGAGED NOTE, AS AMENDED, EXECUTED IN CONNECTION WITH THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, JERSEY CITY MEDICAL CENTER ISSUE, (FHA INSURED MORTGAGE), SERIES 2001 AND SERIES 2003 AND OTHER MATTERS

WHEREAS, the Authority was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law P.L. 1972, c.29, as amended (N.J.S.A. 26:21-1, et. seq.) (the "**Act**"), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey; and

WHEREAS, the Authority is authorized under the Act to make loans to "health care organizations" for the construction of "projects" (as such terms are defined in the Act) and to issue its bonds for the purpose of carrying out its powers under the Act; and

WHEREAS, Jersey City Medical Center, Inc., A New Jersey nonprofit corporation (the "**Institution**") operates an acute care hospital facilities located in Jersey City, New Jersey; and

WHEREAS, at the request of the Institution, the Authority has previously issued its Revenue Bonds, Jersey City Medical Center Issue (FHA Insured Mortgage), Series 2001 (the "**Series 2001 Bonds**") in the aggregate principal amount of $200,000,000 pursuant to the provisions of the Act and has loaned the proceeds of the Series 2001 Bonds (the "**2001 Loan**") to the Institution pursuant to a Loan Agreement dated as of September 1, 2001, (between the Institution and the Authority (the "**2001 Loan Agreement**"); and

WHEREAS, at the request of the Institution, the Authority has previously issued its Revenue Bonds, Jersey City Medical Center Issue (FHA Insured Mortgage), Series 2003 (the "**Series 2003 Bonds**") in the aggregate principal amount of $20,000,000 pursuant to the provisions of the Act and has loaned the proceeds of the Series 2001 Bonds (the "**2003 Loan**") to the Institution pursuant to a Loan Agreement dated as of December 1, 2003, (between the Institution and the Authority (the "**2003 Loan Agreement**"); and

WHEREAS, the 2001 Loan was evidenced by a Mortgage Note dated September 26, 2001 from the Institution to the Authority, (the "**Note**"); and

WHEREAS, in connection with the 2003 Loan, an Allonge to the Note, dated December 17, 2003 was delivered from the Institution to the Authority, (the "Amended **Note**"); and

WHEREAS, the Amended Note is secured by a Mortgage, dated September 26, 2001, as amended by a Mortgage Consolidation and Modification Agreement, dated December 17, 2003 (as amended and modified, the "**Mortgage**") on certain real property of the Institution located in Jersey City, New Jersey (the "**Mortgaged Property**") and a security interest in certain equipment of the Institution and payments under the Amended Note are insured by the United States Department of Housing and Urban Development, acting through the Federal Housing Commissioner (the "**FHA**"); and

WHEREAS, the Institution has requested that the Authority release a portion of the Mortgaged Property comprising land and buildings at 935 Garfield Avenue (the "**Released**

Property") from the lien of the Mortgage in order to permit the Institution to sell the Released Property; and

WHEREAS, none of the proceeds of the Series 2001 Bonds or 2003 Bonds were issued to finance any portion of the Released Property, including any improvements thereon;

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

Section 1. **Authorization**. Each of the Chairman, Vice Chairman or Executive Director of the Authority is hereby authorized to execute such documents as are necessary to provide for the release from the lien of the Mortgage in the forms acceptable to Windels Marx Lane & Mittendorf, LLP, bond counsel to the Authority ("**Bond Counsel**") and counsel to FHA; provided that such authorization is conditioned upon receipt of (i) a letter from FHA consenting to such release and the satisfaction of all conditions set forth in such letter, and (ii) an opinion of Bond Counsel to the Authority, in substantially such form as presented at this meeting.

Section 2. Prior Resolutions. All prior resolutions of the Authority or portions thereof inconsistent herewith are hereby replaced.

Section 3. Effective Date. This Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery to the Governor of the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.