Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on August 23, 2007 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:
Fred M. Jacobs (Chairman), Commissioner of Health and Senior Services; Gus Escher, Public Member; Ulysses Lee, Public Member; Frank Cipriani, Designee of the Commissioner of Banking and Insurance; and Eileen Stokley, Designee of the Commissioner of Human Services.

The following **Authority staff members** were in attendance:
Mark Hopkins, Dennis Hancock, Steve Fillebrown, Michael Ittleson, Suzanne Walton, Susan Tonry, Wanda Lewis, Lou George, Bill McLaughlin, Carole Conover, Jessica Waite, and Stephanie Bilovsky.

The following **representatives from State offices and/or the public** were in attendance:
Edward Tetelman, Department of Health and Senior Services; Eliza Banigan, Peter Cappiello, John Doll, Meridian Health Systems; Alex Dinkels, Fairmount Capital Advisors; Chelsea Walton, Evergreen Financial Services; Cheryl Cohen, Pantheon Capital; Danielle Cheung, Robert Smith, JPMorganChase; Jack Swire, Wachovia; Al Gaburo, Princeton Public Affairs Group; Sharon Price-Cates, Governor's Authorities Unit; and, Rubin Weiner, Deputy Attorney General.

CALL TO ORDER

Dr. Jacobs called the meeting to order at 10:07 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
July 26, 2007 Authority Meeting

The minutes for the Authority's July 26, 2007 Authority meeting were distributed for review and approval. Ms. Stokley offered a motion to approve the minutes; Mr. Escher seconded. Dr. Jacobs abstained; Mr. Escher voted yes; Ms. Stokley voted yes; and Mr. Cipriani voted yes. The motion carried and the minutes were approved.

NEGOTIATED SALE REQUESTS

A. Meridian Hospitals Corporation

Mark Hopkins began by introducing John Doll, Director of Finance for Meridian Health Systems, and then reported that the New Jersey not-for-profit Meridian Hospitals Corporation, Inc. signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing for approximately $225 million.

The proceeds of the financing will be used for improvements at Meridian Hospital's Jersey Shore University Medical Center in Neptune, including: (i) construct a new 213,000 square foot pavilion containing a new emergency department, three new 36-bed nursing units, a shell floor capable of housing an addition 36-bed nursing unit and a new atrium lobby and patient entrance; (ii) construct a new 109,000 square foot diagnostic and treatment building with six new surgery suites, a new kitchen, dining room, loading dock, and sterile processing department; (iii) renovate and expand the outpatient pavilion in the existing ambulatory care center and emergency department; (iv) renovate several inpatient areas including adding six pediatric beds and 11 maternity beds; (v) renovate the neonatal intensive care unit including adding 13 bassinets; (vi) create two new electrophysiology procedure rooms and a new cardiac catheterization suite; (vii) expand and enhance radiology, pharmacy and laboratory spaces; and (viii) add a new MRI, CT scanner and other diagnostic imaging technology. Bond proceeds are also expected to be used to pay costs of issuance, pay capitalized interest and fund a debt service reserve fund.

Mr. Hopkins described Meridian Hospitals Corporation as a New Jersey not-for-profit corporation which operates three acute care hospitals: (i) Jersey Shore University Medical Center in Neptune, which is also a major teaching hospital and trauma center; (ii) Ocean Medical Center in Brick, which also operates a satellite emergency department in Point Pleasant; and (iii) Riverview Medical Center in Red Bank, which also operates a comprehensive rehabilitation unit there. Meridian Health Systems, Inc., a New Jersey not-for-profit corporation, is the parent organization and sole member of Meridian Hospitals and Meridian Nursing and Rehabilitation, Inc., the other entity that makes up the obligated group under the Authority's bond documents. Meridian Health System is also the parent or holds an equity interest in various other New Jersey health care organizations which provide a comprehensive range of health care related services including long-term nursing care, home care, assisted living facilities, ambulatory care, and ambulance services. Meridian Nursing, which is also a New Jersey not-for-profit corporation, operates full service, long-term care facilities in Brick, Red Bank, Shrewsbury and Wall.

Mr. Hopkins stated that the Authority issued $248,360,000 and $100,000,000 in bonds on behalf of the Meridian Health System Obligated Group in 1999 and 2003, respectively. As of June 30, 2007, $219,440,000 and $100,000,000, respectively, remain outstanding on those bonds. The Authority has also issued several COMP Program bonds. In 2001, $15 million was issued on behalf of Meridian Hospitals, of which $8.1 million remains outstanding. In 2004, $14.7 million was issued on behalf of Meridian Nursing, of which $14.4 million remains outstanding. In 2006, $5.1 million in bonds were issued on behalf of Meridian Nursing, all of which remain outstanding. Also in 2006, $32.6 million was issued in two series on behalf of the MHAC I, LLC (an affiliate created to own and operate the parking garage at Jersey Shore) all of which remains outstanding. It is expected that all of the above-mentioned bonds will remain outstanding.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, the Meridian Health System Obligated Group generated excess revenues over expenses of approximately $27 million for 2006 and $42.6 million for 2005. Unaudited information for Meridian Hospitals through June 2007 shows excess revenues over expenses of approximately $26.3 million, continuing its recent history of positive results of operations. Unaudited information for Meridian Nursing through June 2007, however, shows a net loss of $1.1 million.

Mr. Hopkins stated that Meridian Hospitals asked that the Authority permit the use of a negotiated sale based on: (i) the sale of a complex or poor credit; (ii) large issue size; and (iii) the expected use of variable rate debt. These reasons are considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale, therefore, 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 said resolution to the State Treasurer.

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

Mr. Escher moved to approve the pursuit of a negotiated sale on behalf of Meridian Hospitals Corporation and to approve the forwarding of a copy of the justification in support of said resolution to the State Treasurer. Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-41
(attached)

B. Catholic Health Initiatives

Mark Hopkins reported that Catholic Health Initiatives ("CHI") signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing for approximately $200 million. The proceeds will be used to acquire Saint Clare's Health System. In the acquisition, CHI would replace Marian Health System as the sole member of Saint Clare's Health Services, Inc, which currently operates acute care hospitals in Denville, Dover and Sussex, and a behavioral health hospital in Boonton. In addition to acquiring the hospitals, CHI plans to use the proceeds to acquire Saint Clare's Franciscan Oaks, a continuing care retirement community in Denville.

CHI is a Colorado nonprofit corporation formed by the combination of four Catholic health care systems: Catholic Health Corporation, Franciscan Health System, Sisters of Charity Health Care Systems and the Sisters of Charity of Nazareth Health System. Various nonprofit and for-profit organizations are controlled, owned by, or affiliated with CHI. Collectively, they form the CHI Credit Group, which owns and operates 72 acute care hospitals and more than 50 other facilities in 19 states, including long-term care, elder care, housing, primary care, community health services organizations, accredited nursing colleges and other services.

The Authority has not yet issued any bonds for CHI. According to its unaudited financial information, CHI has approximately $2.8 billion in long term debt.

The Authority has, however, issued several series of bonds on behalf of Saint Clare's and its predecessors. Only two series of Authority bonds issued on behalf of St. Clare's remain outstanding. The 2004 bonds were issued in a total of $104 million, of which approximately $96.8 million remains outstanding as of June 30, 2007. The New Jersey Economic Development

Authority currently has approximately $48.7 million of bonds outstanding on behalf of Franciscan Oaks. All of these bonds are expected to be refunded or defeased with the proceeds of the bonds under consideration today.

According to its annual report provided with the Memorandum of Understanding, the CHI Reporting Group generated excess revenues over expenses of approximately $782.1 million for the year ended June 30, 2006 and $567.9 million for the year ended June 30, 2005. Unaudited information for CHI for the nine months ending March 31, 2007 shows excess revenues over expenses of approximately $550.1 million, continuing CHI's recent history of positive results of operations.

CHI asks that the Authority permit the use of a negotiated sale based on: (i) the sale of a complex or poor credit; (ii) the sale of a complex financing structure, including those transactions that involve the simultaneous sale of more than one series of bonds, and (iii) the large issue size. Since these are considered to be justifications for a negotiated sale under the Authority's Executive Order #26 policy, 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 said resolution to the State Treasurer.

Mr. Hopkins reported that, after performing a competitive process, CHI selected UBS Investment Bank and JP Morgan as Co-Senior Managing Underwriters for the bonds. Additionally, CHI researched several law firms from the Authority's qualified list and received the Attorney General's approval to have the firm of Windels, Marx, Lane & Mittendorf serve as bond counsel.

Mr. Escher asked if there was any relation between CHI and Catholic Health East, to which Mr. Hopkins replied that, while both organizations are large Catholic-based health systems, there is no affiliation. Mr. Escher asked if this new facility would be CHI's first foray into the New Jersey health care market, to which Mr. Fillebrown stated that he believed Trenton's St. Francis Medical Center was once affiliated with CHI. St. Francis is now operated by Catholic Health East.

Mr. Escher moved to approve the pursuit of a negotiated sale on behalf of Catholic Health Initiatives and to approve the forwarding of a copy of the justification in support of said resolution to the State Treasurer. Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-42
(attached)

CAPITAL ASSET LOAN PROGRAM APPROVAL
Meridian Nursing and Rehabilitation at Ocean Grove, Inc.

Suzanne Walton began by introducing Eliza Banigan, Vice President of Finance for Meridian Nursing and Rehabilitation and Peter Cappiello, Vice President of Legal Counsel for Meridian Health Systems. She noted that John Doll also remained to answer any questions about the following presentation.

Ms. Walton then referenced a loan application that the Authority received from Meridian Nursing and Rehabilitation at Ocean Grove, Inc. ("Meridian Nursing") indicating a request to borrow $7 million through the Authority's Capital Asset Loan program ("CAP") to provide funds to (a) acquire a nursing home, (b) finance and reimburse costs incurred for building renovations, the acquisition of major movable equipment, miscellaneous property, plant and equipment expenditures, and upfront legal and financial consulting fees, and (c) pay the related costs of financing.

Ms. Walton reported that in January of 2007, Meridian Nursing entered into a lease agreement with The United Methodist Homes to lease their 120-bed skilled nursing facility, Manor by the Sea, located in Ocean Grove. Meridian Nursing decided to exercise a purchase option contained in the lease agreement to acquire the nursing facility based on a value comparison undertaken by management.

Manor by the Sea is a 59,900 square foot facility. The average cost to build a new facility in this area, excluding equipment, is approximately $175 per square foot or $10,482,500. By comparison, Meridian Quality Care (the holding company for Meridian Nursing's long term care facilities) is in the process of completing construction of a new nursing and rehabilitation facility located in Shrewsbury. The total project cost budgeted for that facility is $16.3 million at an average cost of $262 per square foot. The cost of exercising the purchase option for the Ocean Grove facility will be approximately $5.7 million. In addition, Manor by the Sea, is located approximately five miles from Jersey Shore Medical Center and provides a convenient location for discharged patients in need of long term care.

JPMorgan Bank, provider of the credit and liquidity support for the CAP, approved the loan subject to the borrower providing a note under the existing Meridian Health Obligated Group Master Trust Indenture. As a condition of closing, the Bank will require that Meridian Nursing become a member of the Obligated Group.

Ms. Walton stated that Members received historical financial and utilization information for the Obligated Group comprised of Meridian Hospitals Corporation and Meridian Nursing and Rehab, Inc. Also distributed were the 2007 Operating budget for the Ocean Grove facility and the Financial and Statistical Report as of June 2007.

Mr. Escher moved to approve the requested CAP loan on behalf of Meridian Nursing & Rehabilitation at Ocean Grove, Inc.; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-43
(attached)

EXTENSION OF FINANCIAL PRINTING CONTRACT

Michael Ittleson reminded the Members that the two-year contract for the printing of Authority preliminary and final official statements and other related documents expires on October 31, 2007. The expiring contract allows for three additional one-year extensions with all original terms remaining in effect for the extended period. The Members had received a letter from Bowne & Co. indicating its willingness to agree to the one-year extension at the original terms. Mr. Ittleson recommended that the Members consider approving the first allowable extension for the period November 1, 2007 through October 31, 2008. Ms. Stokley so moved; Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-44

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a one-year extension to its financial printing contract enlisting Bowne & Co.'s services through October 31, 2008.

RECOMMENDATION FOR CAP PROGRAM ADMINISTRATOR

Wanda Lewis reminded the Members that, at the July Authority Meeting, staff received the Members' approval to distribute a Request for Proposal ("RFP") for a Program Administrator for the Series A-D Capital Asset Program. The RFP was distributed on August 1st and an advertisement for the RFP was placed in *The Bond Buyer* and on the New Jersey State website, as well as the Authority's site. Only one response was received and it was from the Authority's present administrator, Fairmount Capital Advisors, with a proposed a fee of $14,000 per year. Fairmount has done an exemplary job in this role. As such, staff recommended that Fairmount be reappointed as Program Administrator for the next three years with the possibility of extending the contract for two additional one-year extensions.

Mr. Escher asked if the Authority distributed the RFP directly to any firms. Staff responded that no RFPs were sent directly to firms, however, it was posted in several different locations where this type of business is solicited. Mr. Escher moved to reappoint Fairmount Capital Advisors to serve as Administrator for the Authority's Capital Asset Loan Program, Series A-D, as recommended by staff; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-45

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby reappoints Fairmount Capital Advisors to serve as Administrator for the Authority's Capital Asset Loan Program, Series A-D for the next three years with the possibility of extending the contract for two additional one-year extensions.

AUTHORITY EXPENSES

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

AB RESOLUTION NO. HH-46

WHEREAS, the Authority has reviewed memoranda dated August 16, 2007, 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 $661,123.94, $83,252.91 and $684.18 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

Dr. Jacobs thanked staff for their preparation of reports that were distributed for review, including the Project Development Summary, Cash Flow Statement, and a Legislative Advisory. Mr. Hopkins announced the following items in his Executive Director's Report:

1. The *Commission on Rationalizing New Jersey's Health Care Resources* held a meeting here on August 17th. It held public meetings in Trenton and Teaneck on the evenings of July 30th and August 14th, respectively. A third public meeting is scheduled for 6:00 p.m. on Tuesday, August 28th and will be held at the George P. Luciano Family Center for Public Services and Leadership, Cumberland County College, 3322 College Drive, Vineland, New Jersey. The Commission's next meeting here will be held on September 20th.
2. In hospital news, Barnert Hospital declared bankruptcy on August 15, 2007. Prior to that, Joe Orlando stepped down as CEO and was replaced by interim CEO Peter Betts. Going into bankruptcy, the Department of Health and Senior Services agreed to advance four months of charity care to Barnert, and HUD agreed to the release of Depreciation Reserve Funds for Barnert's next three monthly mortgage payments and up to an additional $250,000 per month for up to three months into the bankruptcy process so that Barnert could identify a partner to see it out of bankruptcy. Mr. Hopkins noted that the Authority's August meeting agenda originally included a request for the release of accounts receivable funds on behalf of Barnert Hospital, however, with the bankruptcy filing, this item was no longer pertinent.

   Herman Brockman resigned as chair of the Bayonne Medical Center board. Ruth Dugan will replace him and Robert Cavanaugh was elected Treasurer.

   Saint Barnabas reached an agreement for Overlook Hospital to provide 24-hour emergency services at Union Hospital beginning October 1st. Saint Barnabas, which plans to cease Union Hospital's operations as an inpatient acute care hospital on September 30th, continues to seek organizations interested in using other parts of the Union Hospital facility.
3. In Authority news, Mr. Hopkins welcomed Jessica Waite who joins the Authority as the Administrative Assistant in the Division of Operations and Finance. Ms. Waite graduated from Bordentown Regional High School and currently attends Burlington County College studying Business Administration.

EXECUTIVE SESSION

At this point, as permitted by the Open Public Meetings Act and the Authority's By-Laws, Dr. Jacobs asked the Members to meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General. Ms. Stokley offered a motion to enter the session; Mr. Escher seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-47

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 personnel and contractual matters, and to receive advice from the Office of the Attorney General.

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, Mr. Tetelman moved to adjourn the meeting, Ms. Stokley seconded. The vote was unanimous, and the motion carried at 10:50 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 AUGUST 23, 2007.

Dennis Hancock
Assistant Secretary

AB RESOLUTION NO.HH-43

A RESOLUTION APPROVING A CAPITAL ASSET PROGRAM LOAN TO MERIDIAN NURSING AND REHABILITATION AT OCEAN GROVE, INC.

Meridian Nursing and Rehabilitation at Ocean Grove, Inc.

WHEREAS, Meridian Nursing and Rehabilitation at Ocean Grove, Inc. (the "Borrower") has requested that the New Jersey Health Care Facilities Financing Authority (the "Authority") finance the costs of a project consisting of the acquisition of Manor By The Sea, a 120 bed skilled nursing facility in Ocean Grove, New Jersey (the "Premises"), together with the payment of and/or reimbursement for the costs of renovations to the Premises, the acquisition of major moveable equipment, miscellaneous property, plant and equipment expenditures, and certain organizational legal, financing and financial consulting fees incurred by the Borrower (collectively the "Project") as more fully described on Attachment A-1 attached hereto and made a part hereof, through the Authority's pooled financing program funded from the proceeds of the Authority's $100,000,000 Variable Rate Demand Revenue Bonds (Hospital Capital Asset Financing Program) 1985 Series A, B, C and D (the "Bonds"); and

WHEREAS, such financing for the Project will be made pursuant to a Loan and Security Agreement to be entered into between the Authority and the Borrower (the "Loan Agreement"), which will be assigned by the Authority to J.P. Morgan Chase Bank, N.A., as Trustee (the "Pool Trustee"); and

WHEREAS, to secure the obligations arising under the Loan Agreement, the Borrower and the other members of the Obligated Group (as defined in the Master Trust Indenture, hereinafter defined) will issue and deliver a promissory note (the "Note") under and pursuant to that certain Fourth Supplemental Indenture Constituting the Amended and Restated Master Trust Indenture dated as of July 1, 1999, as amended and supplemented to the date hereof (the "Master Trust Indenture");

NOW, THEREFORE, BE IT RESOLVED, by the Authority as follows:

1. The Authority hereby approves a loan to the Borrower in an amount of up to $7,000,000 for the purpose of financing the costs of the Project, subject to the Borrower meeting all requirements of the Loan Agreement and the Master Trust Indenture.

2. Pursuant to the provisions of the Trust Agreement securing the Authority's Capital Asset Financing Program, the authorized officers of the Authority are hereby authorized and directed to execute the Loan Agreement and any other documentation deemed necessary and appropriate by the Authority's counsel to complete the financing of the Project for the Borrower.

3. The authorized officers of the Authority are hereby authorized and directed to take such other action as may be necessary or appropriate in order to effectuate the financing of the Project for the Borrower in accordance with the foregoing sections and recitals hereof.

4. All prior resolutions of the Authority, or any portions thereof, to the extent inconsistent with this Resolution, are hereby repealed.

5. 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 Subsection (1) of Section 4 of the New Jersey Health Care Facilities Financing Authority Law, as amended.