

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on July 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 (Chairing as Vice-Chair), Public Member; Ulysses Lee, Public Member (via telephone); Eileen Stokley, Designee of the Commissioner of Human Services (via telephone); Maryann Kralik, Designee of the Commissioner of Banking & Insurance, and William Conroy, Designee of the Commissioner of Health and Senior Services (via telephone).

The following **Authority staff members** were in attendance:

Mark Hopkins, Dennis Hancock, Lou George, James L. Van Wart, Steve Fillebrown, Suzanne Walton, Susan Tonry, Carole Conover, Michael Ittleson, Marji McAvoy, Bill McLaughlin, Kerry Cook, and Rhonda Robins.

The following **representatives from State offices and/or the public** were in attendance:

Joseph Dobosh, CFO of Children's Specialized Hospital; Carl O'Brian, CFO of RWJ University Hospital; Robert Nyman, VP of Finance, CentraState Medical Center; Blair Brenner, Integrated Data Solutions; Barbara Smith, President, Insurance and Risk Services for the RWJ Health Network; Maryann Kicenuik, Windels Marx Lane & Mittendorf; and Cliff Ronos, Deputy Attorney General.

### ***CALL TO ORDER***

Gus Escher called the meeting to order at 10:00 A.M. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 22, 2008 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***

#### ***June 26, 2008 Authority Meeting***

Minutes from the Authority's June 26, 2008 meeting were presented for approval. Maryann Kralik offered a motion to approve the minutes; Mr. Escher seconded. Mr. Escher voted yes, Mr. Lee voted yes, Ms. Kralik abstained, Ms. Stokley abstained, and Mr. Conroy abstained. With only two of the three votes needed, the motion does not carry. Mr. Escher and Mr. Lee's votes will be recorded and the minutes will be presented again at the August meeting.

**BOND SALE REPORT**  
**-St. Michael's Medical Center**

Dennis Hancock advised that on Tuesday, July 22, 2008, staff worked with the Office of Public Finance to price the \$250 million State Contract Bonds issued through the Hospital Asset Transformation Program to benefit St. Michael's Medical Center. The Bonds are secured by payments made pursuant to a contract with the Treasurer, which relies on appropriations by the legislature. As such, the Bonds are rated A+ by Fitch, A1 by Moody's and AA- by S&P. It had been the intent to use an insurance commitment from Assured Guaranty to provide "AAA" ratings on the Bonds. However, the night before pricing, Moody's indicated that both FSA and Assured were placed on their watch list for a likely downgrade. This obviously changed the economics of using insurance and the decision was made to sell the Bonds on the basis of the unenhanced rating. Because of the timing of the Moody's announcement, the underwriter suggested that the pricing be delayed to see the market's reaction to the news.

Later that morning, the underwriter, after talking to a number of potential purchasers, suggested opening an order period for the Bonds. After a short order period, the managers modified the scale to take into consideration the strength of the order flow and offered to underwrite. Public Finance and Authority staff were satisfied with the offer and gave the verbal award. Yields on the Bonds ranged from 2.42% for the October, 2009 maturity to 5.45% for the final maturity in 2038. The true interest cost is approximately 5.32%. Closing on the issue is scheduled for July 31, 2008.

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

**AMENDMENT TO LOAN AGREEMENTS FOR INSURANCE COVENANT**  
**CentraState Medical Center**  
**Robert Wood Johnson University Hospital**  
**Children's Specialized Hospital**

Sue Tonry began by introducing Joe Dobosh, CFO of Children's Specialized Hospital, Carl O'Brian, CFO of RWJ University Hospital and Bob Nyman, VP of Finance from CentraState Medical Center; all affiliate members of the RWJ Health Network ("Network"). She also introduced Barbara Smith, President of Insurance and Risk Services for the Network.

Ms. Tonry stated that in 2003, the Robert Wood Johnson Health Network obtained the Authority's approval and formed a captive insurance company named System and Affiliate Members, Ltd. ("SAM"), to provide general and hospital professional liability for affiliate member hospitals. Each affiliate hospital was set up with its own segregated cell, created and funded based upon their individual risk profiles. A condition of this approval was that each captive cell obtains a Qualified Insurance Rating annually, from a rating agency such as AM Best. In 2004, this requirement became a part of the Insurance Covenant in all new bond issues, including RWJ University Hospital in 2004, Children's Specialized Hospital in 2005, and CentraState Medical Center in 2006. Each of the hospitals have complied with the requirement and have received a B+ rating on their individual captive cells from AM Best for several years now.

Ms. Tonry stated that the member hospitals present at today's meeting requested an amendment to their respective loan agreements to adopt the Authority's existing policy, whereby the insurance covenant provides for either a Qualified Insurance Rating or a series of

professional certifications that the Authority can rely upon indicating that the captive cells are sufficiently funded and compliant with laws and regulations for captive insurance companies.

Ms. Tonry stated that each of these affiliate hospitals submitted in advance of this meeting, all certifications required for compliance under the new policy. Bond Counsel has reviewed each of these Series of documents and has provided along with the amendments, an opinion for each hospital as required in the documents. Written consent was received from the Bond Trustee, Bond Insurer, Foundation and Letter of Credit Provider in the cases where they were required as per the documents. The amendments, resolutions and opinions were provided to the members in advance of this meeting.

Based on this review by staff, Ms. Tonry asked for the Authority's consideration of three separate resolutions approving the amendments to the Insurance Covenant contained in the respective Loan Agreements.

In response to a question from Mr. Esher, Ms. Tonry reported that these actions taken today are consistent with actions taken in the past and is also consistent with the language that was approved by the members at its February 19, 2008 meeting.

Ms. Stokley moved to approve the amendment to the loan agreement for CentraState Medical Center. Mr. Conroy seconded. Mr. Escher voted yes, Mr. Lee voted yes, Ms. Kralik voted yes, Ms. Stokley voted yes, and Mr. Conroy voted yes. The motion carried. At this point, Mr. Lee excused himself from the meeting.

#### **AB RESOLUTION NO. HH-16**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the "AMENDMENT TO LOAN AGREEMENT DATED AS OF DECEMBER 1, 2006 Between NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY And CENTRASTATE MEDICAL CENTER, INC. RELATING TO THE \$41,575,000 NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS SERIES 2006A AND THE \$29,850,000 NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS SERIES 2006B (FEDERALLY TAXABLE), DATED AS OF **AUGUST 11, 2008.**" *(attached)*.

Ms. Stokley moved to approve the amendment to the loan agreement for Children's Specialized Hospital. Mr. Conroy seconded. Mr. Escher voted yes, Ms. Kralik voted yes, Ms. Stokley voted yes, and Mr. Conroy voted yes. The motion carried.

#### **AB RESOLUTION NO. HH-17**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the "FIRST AMENDMENT TO LOAN AND TRUST AGREEMENT DATED AS OF OCTOBER 1, 2005 AMONG NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY And CHILDREN'S SPECIALIZED HOSPITAL and TD BANK, N.A., AS TRUSTEE RELATING TO THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY \$56,895,000 REVENUE BONDS SERIES 2005, DATED AS OF JULY 1, 2008." *(attached)*.

Ms. Stokley moved to approve the amendment to the loan agreement for the Robert Wood Johnson University Hospital. Mr. Conroy seconded. Mr. Escher voted yes, Ms. Kralik voted yes, Ms. Stokley voted yes, and Mr. Conroy voted yes. The motion carried.

**AB RESOLUTION NO. HH-18**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the “AMENDMENT TO LOAN AGREEMENT DATED AS OF SEPTEMBER 1, 2004 Between NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY And ROBERT WOOD JOHNSON UNIVERSITY HOSPITAL, INC. RELATING TO THE \$50,000,000 NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY VARIABLE RATE REVENUE BONDS, ROBERT WOOD JOHNSON UNIVERSITY HOSPITAL, INC.’S ISSUE SERIES 2004, DATED AS OF **AUGUST 11, 2008.” (attached).**

***DOCUMENT IMAGING SERVICES CONTRACT***

Mike Ittleson stated that the Authority issued a Request for Proposals for document imaging processing services on June 4, 2008. The Authority archives on CDs Trustee Bank statements, Construction requisitions and loose document files for its bond and note issues. Mr. Ittleson advised that the loose document files contain all of the documents required for the bond and/or note issue. The RFP and contract were designated as a Set-Aside contract for small businesses in accordance with the New Jersey Set-Aside Act. Mike Ittleson also advised that a mandatory bidder’s conference was held on June 20, 2008 to enable potential bidders to review sample documents to be imaged, as well as to ask any questions they may have had concerning the RFP. Proposals were due by noon on July 1, 2008.

Six of the seven firms that attended the bidder’s conference submitted proposals. Based on the review of the proposals, the pricing sheets and the sample billing sheets, staff is asking the members’ their consideration in appointing Foveonics Imaging Technologies, the lowest responsible bidder, to a three-year contract for document imaging processing services. The contract would also allow for two additional one-year extensions at the option of the Authority.

Mr. Conroy moved to appoint Foveonics Imaging Technologies to a three year contract for document imaging processing services with the right to extend the terms of the contract for two additional one-year periods. Ms. Kralik seconded. Mr. Escher voted yes, Ms. Kralik voted yes, Ms. Stokley voted yes, and Mr. Conroy voted yes. The motion carried.

**AB RESOLUTION NO. HH-19**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby appoints Foveonics Imaging Technologies to a three year contract for document imaging processing services with the right to extend the terms of the contract for two additional one-year periods.

***AUTHORITY EXPENSES***

Gus Escher referenced a summary of Authority expenses and invoices. Ms. Stokley offered a motion to approve the bills and to authorize their payment; Mr. Escher seconded. Mr. Escher voted yes, Ms. Kralik voted yes, Ms. Stokley voted yes, and Mr. Conroy voted yes. The motion carried.

### **AB RESOLUTION NO. II-20**

**WHEREAS**, the Authority has reviewed memoranda dated July 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 \$672,294.75, \$15,762.17 and \$38,510.84 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***

Gus Escher thanked staff for their preparation of staff reports, including the Project Development Summary, Cash Flow Statement, Semi-Annual Budget Report, and Legislative Advisory were distributed to the Members.

Mr. Hopkins then offered the following items in his Executive Director's Report:

1. In accordance with the delegation in the Bond Resolution, and after receiving direction from the Office of Public Finance, Mr. Hopkins has approved the appointment of Goldman Sachs & Co. as co-senior manager, RBC Capital Markets and Seibert Brandford Shank & Co., L.L.C. as co-managers for the Hospital Asset Transformation Program financing for St. Michael's Medical Center.
2. The Office of Public Finance has selected Goldman Sachs & Co. as senior managing underwriter on the anticipated Hospital Asset Transformation Program financing for Solaris.
3. Hospital News:
  - a. Patients have been moved into the new state-run Greystone Psychiatric Hospital, which was financed with Authority bonds.
  - b. Touro Medical School failed to receive the preliminary accreditation needed to begin admitting its first medical students in the fall of 2009. Touro, which partnered with Hackensack University Medical Center to purchase Pascack Valley Hospital out of bankruptcy, said that because the purchase of Pascack had not been completed by the time the accrediting body did its on-site inspection, it would not issue the accreditation even though the decision was not rendered until after the purchase had been completed. However, an Emergency Room is on schedule to reopen on October 1, 2008 at the site.
  - c. The State Health Planning Board met on the day of our last Authority meeting to consider Muhlenberg Regional Medical Center's request for a Certificate of Need for Closure. The Board recommended the closure of Muhlenberg with several conditions. The Commissioner has 120 days to issue her decision on the application.

- d. Due to the bankruptcy and liquidation of Barnert Hospital, the FHA insured Barnert Bonds have been called and are being covered by the FHA Mortgage Insurance.
4. Authority News:
    - a. Kerry Cook has joined the Authority as the Administrative Assistant in the Operations Division. Kerry comes to us after nearly seven years in various clerical positions at the Motor Vehicle Commission. She is currently pursuing a bachelor's degree at Thomas Edison State College.
    - b. Our Communications Specialist, Stephanie Bilovsky, gave birth to a healthy baby girl named Zoya Bilovsky at 10:18 p.m. on July 2, 2008. Zoya weighed in at 6 pounds 12 ounces and measured 19½ inches long.
  5. Legislation:
    - a. At the last meeting, Mr. Hopkins described five bills related to the recommendations in the report from the NJ Commission on Rationalizing Health Care Resources, which had passed both houses of the legislature. All, but one, are still awaiting the Governor's signature. On June 30, 2008, the Governor signed the legislation creating a Health Care Stabilization Fund, which will provide hospitals with temporary grants "to ensure continuation of access and availability of necessary health care services to residents in a community served by a hospital facing closure or significantly reducing services due to financial distress." It is expected that the Authority will review the applications for grants and make a recommendation to the Commissioner of Health and Senior Services on which health care facilities should receive grants. Regulations are expected to be promulgated by September 1, 2008, and grant applications will be received shortly thereafter. The State budget included \$44 million for these grants.

In response to Mr. Escher's question, the role the Authority will play with regard to the Healthcare Stabilization Fund is outlined in the signed legislation.

#### ***ADJOURNMENT***

As there was no further business to be addressed, Ms. Kralik moved to adjourn the meeting, Mr. Conroy seconded. Mr. Escher voted yes, Ms. Kralik voted yes, Ms. Stokley voted yes, and Mr. Conroy voted yes. The motion carried, and the meeting was adjourned at 10:25 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 ON JULY 24, 2008.

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Dennis Hancock  
Assistant Secretary

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AMENDMENT TO LOAN AGREEMENT

DATED AS OF DECEMBER 1, 2006

Between

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

And

CENTRASTATE MEDICAL CENTER, INC.

RELATING TO \$41,575,000 NEW JERSEY HEALTH CARE FACILITIES FINANCING  
AUTHORITY REVENUE BONDS, CENTRASTATE MEDICAL CENTER ISSUE,  
SERIES 2006A

DATED AS OF AUGUST 13, 2008

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**AMENDMENT TO LOAN AGREEMENT DATED AS OF DECEMBER 1, 2006  
BY AND BETWEEN THE NEW JERSEY HEALTH CARE FACILITIES  
FINANCING AUTHORITY AND CENTRASTATE MEDICAL CENTER, INC.**

This Amendment to the Loan Agreement Dated as of December 1, 2006 (the “**Original Agreement**”) by and between the New Jersey Health Care Facilities Financing Authority (the “**Authority**”), a public body corporate and politic and a political subdivision of the State of New Jersey, and CentraState Medical Center, Inc., a non-profit corporation, duly incorporated and subsisting under the laws of the State of New Jersey (the “**Hospital**” or the “**Borrower**”) dated as of August 1, 2008 (the “**Amendment**”).

**WITNESSETH:**

**WHEREAS**, the Hospital has obtained financial assistance from the Authority to fund (i) a portion of the construction, on the Hospital’s main campus, of an ambulatory care center (comprised of a three-story outpatient facility, including various Hospital programs, independent physician offices, an independent pharmacy, a health awareness center and a medical fitness facility); (ii) the refinancing of a commercial loan, the proceeds of which were used to renovate and expand Hospital’s Emergency Care Area; (iii) certain routine Hospital capital expenditures as set forth in the Hospital’s Capital Budgets for certain fiscal years; (iv) a debt service reserve fund for the Bonds (as herein defined); and (v) the payment of the costs of issuing the Bonds (collectively the “**Project**”).

**WHEREAS**, the Authority to accomplish the purposes of the Act, has provided funds to the Hospital for the Project;

**WHEREAS**, the Authority and the Hospital have entered into a Loan Agreement dated as of December 1, 2006 (the “**Original Agreement**”) in connection with the Bonds wherein the Authority has loaned the proceeds of the Bonds to the Hospital and wherein the Hospital has agreed to, among other things, make certain loan payments to the Authority, all as set forth in the Original Agreement;

**WHEREAS**, the Authority has issued its \$41,575,000 New Jersey Health Care Facilities Financing Authority Revenue Bonds, CentraState Medical Center Issue, Series 2006A (the “**Bonds**”) under and pursuant to the Authority’s General Health Care Facilities Registered Bond Resolution adopted by the Authority on October 29, 1992 (the “**General Resolution**”) and by a Series Resolution Authorizing the Issuance of New Jersey Health Care Facilities Financing Authority Revenue Bonds, CentraState Medical Center Issue, Series 2006A adopted by the Authority on November 21, 2006 (the “**Series Resolution**” and together with the General Resolution, the “**Resolutions**”);

**WHEREAS**, the Hospital has requested that the Authority amend Section 6.10 of the Original Agreement, which section relates to the requirements imposed by the Authority in connection with the establishment by the Hospital of any captive insurance or self-insurance programs, through execution by the parties of this Amendment to the Original Agreement (the “**Amendment**”);

**WHEREAS**, the Hospital has established a captive insurance company program and the Authority has previously approved the form of such program (the “**Accepted Plan**”) subject to the receipt by the Authority, on an annual basis, of certain items including receipt of, among other things, a Qualified Insurance Rating (as defined in the Original Agreement) from an Insurance Rating Agency (as defined in the Original Agreement);

**WHEREAS**, the Authority desires to amend the Original Agreement to incorporate its new policy which allows for other items to be provided by the Hospital if it so wishes, in lieu of a Qualified Insurance Rating;

**WHEREAS**, Section 8.3 of the Loan Agreement permits the Hospital and the Authority to amend the Original Agreement with the prior written consent of The Bank of New York as bond trustee (the “**Trustee**”) and the prior written consent of Assured Guaranty Corp. the bond insurer for the Bonds (the “**Bond Insurer**”);

**WHEREAS**, the Trustee and the Bond Insurer have each provided their written consent to the Amendment by their execution hereof;

**WHEREAS**, the opinion of Windels Marx Lane & Mittendorf LLP, bond counsel that the Amendment, in and of itself, will not materially adversely affect the rights of the holders of the Bonds has been furnished; and

**WHEREAS**, by resolution adopted on July 24, 2008, the Authority authorized this amendment to the Original Agreement.

**NOW, THEREFORE**, for and in consideration of the premises herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree that the Original Agreement shall be amended as follows:

## ***AMENDMENT TO ORIGINAL AGREEMENT***

### ***Amendment to Section 6.10.***

Section 6.10 of the Original Agreement is hereby amended to delete sections (b), (d), (e), and (f) and to replace such sections in their entirety with the following new sections (b), (d), (e), (f) and (g):

“(b) All policies and certificates of insurance required hereby shall be open to inspection by the Authority, the Trustee and the Bond Insurer at all reasonable times. Certificates of insurance describing such policies shall be furnished by the Borrower to the Authority, the Trustee and to the Bond Insurer at or prior to the delivery of the Bonds. Within seven and one-half months of the Borrower’s Fiscal Year end, the Borrower shall furnish to the Authority, the Trustee and the Bond Insurer: (i) an insurance reporting form describing such policies as evidenced by insurance certificates; (ii) a certificate signed by the chief financial officer of the Borrower stating that such insurance meets all requirements of this Agreement and (iii) a certification addressed to the Borrower, the Trustee, the Authority and the Bond Insurer by a nationally recognized independent Insurance Consultant that the types and amounts of coverage provided are customary and reasonable for institutions of similar type and size taking into account the service mix provided by the Borrower. The Borrower will provide additional proof of insurance coverage at any time, upon reasonable request by the Authority, the Trustee or the Bond Insurer.

“(d) The Authority has heretofore accepted a certain plan of self-insurance and captive insurance in lieu of the insurance required by subsection (a)(iii) and (iv) hereof (the “**Accepted Plan**”). Upon the written request of the Borrower and an Authorized Officer of the Authority reserves the right to permit modifications of or substitutions for the Accepted Plan or modifications of or substitutions for the other types of insurance required to be maintained by this subsection (d) including permission for the Borrower to be covered by self insurance or to have a captive insurance company program in whole or in part for any such coverage, all upon such terms and conditions as the Authority may require. In making its decision to permit such modifications or substitutions, the Authority shall consider the potential risk to the Borrower and the Authority, the availability of insurance, the terms upon which insurance is available, the cost of available insurance, and the effect of such terms and such rates upon the Borrower’s costs and charges for its services. In making any such determinations, the Authority may request and rely upon reports provided by the Borrower’s retained professionals. In addition the Borrower will provide (i) an actuarial study prepared by a licensed independent actuary, (ii) a legal opinion that there will be no material adverse effect for reimbursement under Medicare and Medicaid programs or any governmental programs providing similar benefits or establishing rates and charges for health care services, (iii) a detailed structure of the self insurance or captive insurance program including the oversight committee and all service providers, including legal firms and accountants, (iv) a list of employed physicians covered under the program (self insurance and captive insurance program approval will be limited to employed physicians only), (v) a list of incidents to be reported to Borrower’s current insurer prior to the effective date of the self insurance or captive insurance program, (vi) insurance trust agreements or captive insurance program licenses issued by the appropriate corporate or governmental body, and (vii) list of

excess insurance carriers and reinsurance providers. The Borrower shall pay any fees charged by such Insurance Consultant and other professionals and any expenses incurred by the Authority.

“The Authority shall give written notice to the Trustee and the Bond Insurer of any modifications or substitutions approved by the Authority pursuant to this paragraph (d) and shall indicate in such notice the effective date of such modifications or substitutions. The Authority’s decisions to permit the modifications or substitutions aforesaid shall be in the Authority’s sole and absolute discretion.

“(e) In the event that the Borrower self insures or insures through a captive insurance company, the Borrower shall at commencement of such coverage, and on an annual basis (no later than the anniversary date of the commencement of such coverage), either obtain a Qualified Insurance Rating and provide such rating report to the Authority or:

*(i) provide a certification addressed directly to the Borrower, the Trustee, the Bond Insurer and the Authority from a licensed independent actuary specializing in the type of insurance being provided and not unacceptable to the Authority, that based upon an actuarial study, the total discounted held reserves plus capital and surplus in the self insurance or captive insurance program, limited to those funds that cannot be drawn upon by the Borrower for use in operations or otherwise unrelated to payment of claims, are at least equal to the discounted 75th percent confidence level (that expected total unpaid losses will not exceed the total indicated funding level for such coverage) and identifying the assumptions relied upon by the actuary in its determination; such assumptions shall not be unacceptable to the Authority; and*

*(ii) provide an opinion of counsel addressed directly to the Borrower, the Trustee, the Bond Insurer and the Authority that the self insurance or captive insurance program is in compliance with the laws and regulations of the state and/or country of domicile, and not in contravention of any laws or regulations of the State of New Jersey; and*

*(iii) provide evidence to the Trustee, the Bond Insurer and the Authority that the self insurance or captive insurance program has been audited by a nationally recognized independent firm of public accountants and has received an unqualified opinion or such form of opinion not unacceptable to the Authority.*

“The provisions of this subsection (e) are intended by the parties to replace in their entirety the Authority’s previous reporting and funding requirements applicable to the Accepted Plan.

“(f) In the event that the Borrower is not able to comply with clause (e), the Borrower shall procure insurance as required under subsection (a) of this Section within 90 days of the anniversary date (referred to in subsection (e)) or by such other date approved in writing by an Authorized Officer of the Authority.

“(g) Notwithstanding anything set forth herein to the contrary, the provisions of subsection (e) may be amended and supplemented by the Authority in its sole and absolute

discretion, and without the consent of the holder of the Bonds, the Trustee, the Bond Insurer or the Borrower, in order that such provisions shall be consistent with the Authority's policies then in effect.”

MISCELLANEOUS

Ratification of Provisions of the Original Agreement.

The Original Agreement, as amended by this Amendment, is in all respects ratified and shall remain in full force and effect. The Original Agreement and this Amendment shall be read, taken and construed as one and the same instrument.

Effective Date.

This Amendment shall become effective as of the day and year first written above upon execution hereof by the parties hereto.

Counterparts.

This Amendment may be executed in multiple counterparts each of which shall be an original and each of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the parties hereto have each caused this Amendment to be executed by their duly authorized officers as of the date first written above.

Attest:

NEW JERSEY HEALTH CARE  
FACILITIES FINANCING AUTHORITY

By: \_\_\_\_\_

By: \_\_\_\_\_

Attest:

CENTRASTATE MEDICAL CENTER, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Consented to By:

THE BANK OF NEW YORK,  
As the Trustee

By: \_\_\_\_\_  
Authorized Officer

ASSURED GUARANTY CORP.,  
As the Bond Insurer

By: \_\_\_\_\_  
Authorized Officer

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AMENDMENT TO LOAN AGREEMENT

DATED AS OF DECEMBER 1, 2006

Between

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

And

CENTRASTATE MEDICAL CENTER, INC.

RELATING TO \$29,850,000 NEW JERSEY HEALTH CARE FACILITIES FINANCING  
AUTHORITY REVENUE BONDS, CENTRASTATE MEDICAL CENTER ISSUE,  
SERIES 2006B (FEDERALLY TAXABLE)

DATED AS OF AUGUST 13, 2008

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**W I T N E S S E T H:**

**WHEREAS**, the Hospital has obtained financial assistance from the Authority to fund (i) a portion of the construction, on the Hospital’s main campus, of an ambulatory care center (comprised of a three-story outpatient facility, including various Medical Center programs, independent physician offices, an independent pharmacy, a health awareness center and a medical fitness facility); (ii) the renovation and relocation of the MRI/PET CT Scan facilities at the Hospital; (iii) a debt service reserve fund for the Bonds (as herein defined); and (iv) the payment of the costs of issuance incurred in connection with the sale of the Bonds (collectively the “**Project**”).

**WHEREAS**, the Authority to accomplish the purposes of the Act, has provided funds to the Hospital for the Project;

**WHEREAS**, the Authority and the Hospital have entered into a Loan Agreement dated as of December 1, 2006 (the “**Original Agreement**”) in connection with the Bonds wherein the Authority has loaned the proceeds of the Bonds to the Hospital and wherein the Hospital has agreed to, among other things, make certain loan payments to the Authority, all as set forth in the Original Agreement;

**WHEREAS**, the Authority has issued its \$29,850,000 New Jersey Health Care Facilities Financing Authority Revenue Bonds, CentraState Medical Center Issue, Series 2006B (Federally Taxable) (the “**Bonds**”) under and pursuant to a trust agreement dated as of December 1, 2006 (the “**Trust Agreement**”);

**WHEREAS**, the Hospital has requested that the Authority amend Section 6.10 of the Original Agreement, which section relates to the requirements imposed by the Authority in connection with the establishment by the Hospital of any captive insurance or self-insurance programs, through execution by the parties of this Amendment to the Original Agreement (the “**Amendment**”);

**WHEREAS**, the Hospital has established a captive insurance company program and the Authority has previously approved the form of such program (the “**Accepted Plan**”) subject to the receipt by the Authority, on an annual basis, of certain items including receipt of, among other things, a Qualified Insurance Rating (as defined in the Original Agreement) from an Insurance Rating Agency (as defined in the Original Agreement);

**WHEREAS**, the Authority desires to amend the Original Agreement to incorporate its new policy which allows for other items to be provided by the Hospital if it so wishes, in lieu of a Qualified Insurance Rating;

**WHEREAS**, Section 8.10 of the Loan Agreement and Section 9.4 of the Trust Agreement permit the Hospital and the Authority to amend the Original Agreement with the prior written consent of The Bank of New York as bond trustee (the “**Trustee**”) and the prior written consent of Assured Guaranty Corp. the bond insurer for the Bonds (the “**Bond Insurer**”);

**WHEREAS**, the Trustee and the Bond Insurer have each provided their written consent to the Amendment by their execution hereof;

**WHEREAS**, the opinion of Windels Marx Lane & Mittendorf LLP, bond counsel that the Amendment, in and of itself, will not materially adversely affect the rights of the holders of the Bonds has been furnished; and

**WHEREAS**, by resolution adopted on July 24, 2008, the Authority authorized this amendment to the Original Agreement.

**NOW, THEREFORE**, for and in consideration of the premises herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree that the Original Agreement shall be amended as follows:

***AMENDMENT TO ORIGINAL AGREEMENT***

***Amendment to Section 6.10.***

Section 6.10 of the Original Agreement is hereby amended to delete sections (b), (d), (e), and (f) and to replace such sections in their entirety with the following new sections (b), (d), (e), (f) and (g):

“(b) Each insurance policy required hereby shall (i) be by such insurer (or insurers) as shall be financially responsible, qualified to do business in the State and of recognized standing; (ii) be in such form and have such provisions as are generally considered standard provisions for the type of insurance involved; and (iii) prohibit cancellation, termination or lapse in coverage by the insurer without at least thirty (30) days prior written notice to the Authority, the Trustee and the Bond Insurer. Prior to expiration of any such policy, the Borrower shall furnish the Authority, the Trustee and the Bond Insurer with evidence satisfactory to the Authority and the Bond Insurer that such policy has been renewed or replaced in compliance with this Agreement. All policies of insurance required under subparagraphs (a)(i), (vi) and (viii) above shall be for the benefit of the Borrower, the Authority, and the Trustee as their respective interests may appear, and shall be made payable to the Trustee. Policies evidencing the insurance required by subparagraphs (a)(ii), (iii), (iv), (vii) and (ix) above shall be for the benefit of the Borrower. The Borrower shall have the right to receive payments due and to receipt for claims under policies of insurance and fidelity bonds required by subparagraphs (a)(ii), (iii), (iv), (v), (vii) and (ix) above. All policies and certificates of insurance required hereby shall be open to inspection by the Authority, the Trustee and the Bond Insurer at all reasonable times. Certificates of insurance describing such policies shall be furnished by the Borrower to the Authority, the Trustee and to the Bond Insurer at or prior to the delivery of the Bonds. Within seven and one-half months of the Borrower’s Fiscal Year end, the Borrower shall furnish to the Authority, the Trustee and the Bond Insurer: (i) an insurance reporting form describing such policies as evidenced by insurance certificates; (ii) a certificate signed by the chief financial officer of the Borrower stating that such insurance meets all requirements of this Agreement and (iii) a certification addressed to the Borrower, the Trustee, the Authority and the Bond Insurer by a nationally recognized independent Insurance Consultant that the types and amounts of coverage provided are customary and reasonable for institutions of similar type and size taking into account the service mix provided by the Borrower. The Borrower will provide additional proof of insurance coverage at any time, upon reasonable request by the Authority, the Trustee or the Bond Insurer.

“(d) The Authority has heretofore accepted a certain plan of self-insurance and captive insurance in lieu of the insurance required by subsection (a)(iii) and (iv) hereof (the “**Accepted Plan**”). Upon the written request of the Borrower and an Authorized Officer of the Authority reserves the right to permit modifications of or substitutions for the Accepted Plan or modifications of or substitutions for the other types of insurance required to be maintained by this subsection (d) including permission for the Borrower to be covered by self insurance or to have a captive insurance company program in whole or in part for any such coverage, all upon such terms and conditions as the Authority may require. In making its decision to permit such modifications or substitutions, the Authority shall consider the potential risk to the Borrower and

the Authority, the availability of insurance, the terms upon which insurance is available, the cost of available insurance, and the effect of such terms and such rates upon the Borrower's costs and charges for its services. In making any such determinations, the Authority may request and rely upon reports provided by the Borrower's retained professionals. In addition the Borrower will provide (i) an actuarial study prepared by a licensed independent actuary, (ii) a legal opinion that there will be no material adverse effect for reimbursement under Medicare and Medicaid programs or any governmental programs providing similar benefits or establishing rates and charges for health care services, (iii) a detailed structure of the self insurance or captive insurance program including the oversight committee and all service providers, including legal firms and accountants, (iv) a list of employed physicians covered under the program (self insurance and captive insurance program approval will be limited to employed physicians only), (v) a list of incidents to be reported to Borrower's current insurer prior to the effective date of the self insurance or captive insurance program, (vi) insurance trust agreements or captive insurance program licenses issued by the appropriate corporate or governmental body, and (vii) list of excess insurance carriers and reinsurance providers. The Borrower shall pay any fees charged by such Insurance Consultant and other professionals and any expenses incurred by the Authority.

"The Authority shall give written notice to the Trustee and the Bond Insurer of any modifications or substitutions approved by the Authority pursuant to this paragraph (d) and shall indicate in such notice the effective date of such modifications or substitutions. The Authority's decisions to permit the modifications or substitutions aforesaid shall be in the Authority's sole and absolute discretion.

"(e) In the event that the Borrower self insures or insures through a captive insurance company, the Borrower shall at commencement of such coverage, and on an annual basis (no later than the anniversary date of the commencement of such coverage), either obtain a Qualified Insurance Rating and provide such rating report to the Authority or:

- (i) provide a certification addressed directly to the Borrower, the Trustee, the Bond Insurer and the Authority from a licensed independent actuary specializing in the type of insurance being provided and not unacceptable to the Authority, that based upon an actuarial study, the total discounted held reserves plus capital and surplus in the self insurance or captive insurance program, limited to those funds that cannot be drawn upon by the Borrower for use in operations or otherwise unrelated to payment of claims, are at least equal to the discounted 75th percent confidence level (that expected total unpaid losses will not exceed the total indicated funding level for such coverage) and identifying the assumptions relied upon by the actuary in its determination; such assumptions shall not be unacceptable to the Authority; and*
- (ii) provide an opinion of counsel addressed directly to the Borrower, the Trustee, the Bond Insurer and the Authority that the self insurance or captive insurance program is in compliance with the laws and regulations of the state and/or country of domicile, and not in contravention of any laws or regulations of the State of New Jersey; and*
- (iii) provide evidence to the Trustee, the Bond Insurer and the Authority that the self insurance or captive insurance program has been audited by a nationally recognized independent firm of public accountants and has received an unqualified opinion or such form of opinion not unacceptable to the Authority.*

“The provisions of this subsection (e) are intended by the parties to replace in their entirety the Authority’s previous reporting and funding requirements applicable to the Accepted Plan.

“(f) In the event that the Borrower is not able to comply with clause (e), the Borrower shall procure insurance as required under subsection (a) of this Section within 90 days of the anniversary date (referred to in subsection (e)) or by such other date approved in writing by an Authorized Officer of the Authority.

“(g) Notwithstanding anything set forth herein to the contrary, the provisions of subsection (e) may be amended and supplemented by the Authority in its sole and absolute discretion, and without the consent of the Registered Owners, the Trustee, the Bond Insurer or the Borrower, in order that such provisions shall be consistent with the Authority’s policies then in effect.”

MISCELLANEOUS

Ratification of Provisions of the Original Agreement.

The Original Agreement, as amended by this Amendment, is in all respects ratified and shall remain in full force and effect. The Original Agreement and this Amendment shall be read, taken and construed as one and the same instrument.

Effective Date.

This Amendment shall become effective as of the day and year first written above upon execution hereof by the parties hereto.

Counterparts.

This Amendment may be executed in multiple counterparts each of which shall be an original and each of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the parties hereto have each caused this Amendment to be executed by their duly authorized officers as of the date first written above.

Attest:

NEW JERSEY HEALTH CARE  
FACILITIES FINANCING AUTHORITY

By: \_\_\_\_\_

By: \_\_\_\_\_

Attest:

CENTRASTATE MEDICAL CENTER, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Consented to By:

THE BANK OF NEW YORK,  
As the Trustee

By: \_\_\_\_\_  
Authorized Officer

ASSURED GUARANTY CORP.,  
As the Bond Insurer

By: \_\_\_\_\_  
Authorized Officer

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FIRST AMENDMENT TO LOAN AND TRUST AGREEMENT  
DATED AS OF OCTOBER 1, 2005

among

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

and

CHILDREN'S SPECIALIZED HOSPITAL

and

TD BANK, N. A., AS TRUSTEE

DATED AS OF JULY 1, 2008

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**FIRST AMENDMENT TO LOAN AND TRUST AGREEMENT  
DATED AS OF OCTOBER 1, 2005**

This First Amendment (this “**Amendment**”) to the Loan and Trust Agreement Dated As Of October 1, 2005 (the “**Original Agreement**”) by and between the New Jersey Health Care Facilities Financing Authority (the “**Authority**”), a public body corporate and politic and a political subdivision of the State of New Jersey, Children’s Specialized Hospital, a non-profit corporation, duly incorporated and subsisting under the laws of the State of New Jersey (the “**Hospital**” or the “**Borrower**”) and TD Bank, N.A., successor by merger to Commerce Bank, National Association as trustee, (the “**Trustee**”) a national banking association authorized to do business in the State of New Jersey, having a corporate trust office in Cherry Hill, New Jersey, dated as of July 1, 2008.

**WITNESSETH:**

**WHEREAS**, the Authority to accomplish the purposes of the Act, has provided financial assistance to the Hospital for the purpose of financing the Facility (as defined in the Original Agreement) in the City of New Brunswick, Middlesex County, New Jersey, which will be applied, together with other available funds of the Borrower and the Foundation (as defined in the Original Agreement) to: (1) fund Project Costs (as defined in the Original Agreement) for the construction and equipping of a new 60-bed comprehensive pediatric rehabilitation hospital (with outpatient therapy services) to be located on the campus of Robert Wood Johnson University Hospital (“RWJUH”), adjacent to and connected to the existing Bristol-Myers Squibb Children’s Hospital at RWJUH and the Child Health Institute of New Jersey, a research and development facility of the University of Medicine and Dentistry of New Jersey; (2) fund capitalized interest on a portion of the Series 2005 Bonds (as hereinafter defined); (3) fund a debt Service Reserve Fund (as defined in the Original Agreement) for the Series A Bonds (as hereinafter defined); and (4) fund Costs of Issuance (as defined in the Original Agreement);

**WHEREAS**, the Authority and the Hospital have entered into the Original Agreement in connection with the Series 2005 Bonds wherein the Authority has loaned the proceeds of the Series 2005 Bonds to the Hospital and wherein the Hospital has agreed to, among other things, make certain loan payments to the Authority, all as set forth in the Original Agreement;

**WHEREAS**, the Authority has issued \$32,895,000 Fixed Rate Revenue Bonds (Children’s Specialized Hospital Project) Series 2005A (the “**Series A Bonds**”) and its \$24,000,000 Variable Rate Revenue Bonds (Children’s Specialized Hospital Project) Series 2005B (the “**Series B Bonds**”) and, together with the Series A Bonds, the “**Series 2005 Bonds**”);

**WHEREAS**, the Hospital has requested that the Authority amend Section 501 of the Original Agreement, which section relates to the requirements imposed by the Authority in connection with the establishment by the Hospital of any captive insurance or self-insurance programs, through execution by the parties of this Amendment to the Original Agreement;

**WHEREAS**, the Hospital has established a captive insurance company program and the Authority has previously approved the form of such program (the “**Accepted Plan**”) subject to the receipt by the Authority, on an annual basis, of certain items including receipt of, among other things, a Qualified Insurance Rating (as defined in the Original Agreement) from A.M. Best Company;

**WHEREAS**, the Authority desires to amend the Original Agreement to incorporate its new policy which allows for other items to be provided by the Hospital if it so wishes, in lieu of a Qualified Insurance Rating;

**WHEREAS**, Section 1101 of the Original Agreement permits the Hospital, the Trustee and the Authority to amend the Original Agreement (with the prior written consent of Wachovia Bank, National Association and Children's Specialized Hospital Foundation, Inc.) if such provisions do not impair the security of the Bondholders;

**WHEREAS**, the Authority has obtained an opinion of Windels Marx Lane & Mittendorf LLP, bond counsel, to the effect that the amendment contemplated hereby does not impair the security of the Bondholders;

**WHEREAS**, by resolution adopted on July 24, 2008 (the "**Resolution**"), the Authority authorized execution of this Amendment to the Original Agreement;

**NOW, THEREFORE**, for and in consideration of the premises herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree that the Original Agreement shall be amended as follows:

**AMENDMENT TO ORIGINAL AGREEMENT****Amendment to Section 501.**

Section 501 of the Original Agreement is hereby amended to delete sections (b), (d), (e) and (f) and to replace such sections in their entirety with the following new sections (b), (d), (e), (f) and (g):

“(b) Each insurance policy required hereby shall (i) be provided by such insurer (or insurers) as shall be financially responsible, qualified to do business in the State and of recognized standing; (ii) be in such form and have such provisions as are generally considered standard provisions for the type of insurance involved; and (iii) prohibit cancellation, termination or lapse in coverage by the insurer without at least thirty (30) days prior written notice to the Authority, the Trustee and the Bank. Prior to expiration of any such policy, the Borrower shall furnish the Authority, the Trustee and the Bank with evidence satisfactory to the Authority, and the Bank that such policy has been renewed or replaced in compliance with this Agreement. All policies of insurance required under subparagraphs (a)(i), (vi) and(viii) above shall be for the benefit of the Borrower, the Authority, the Trustee as their respective interests may appear, and shall be made payable to the Trustee and the Bank. Policies evidencing the insurance required by subparagraphs (a)(ii), (iii), (iv), (vii) and (ix) above shall be for the benefit of the Borrower. The Borrower shall have the right to receive payments due and to receipt for claims under policies of insurance and fidelity bonds required by subparagraphs (a)(ii), (iii), (iv) (v), (vii) and (ix) above. All policies and certificates of insurance required hereby shall be open to inspection by the Authority, the Trustee and the Bank at all reasonable times. Certificates of insurance describing such policies shall be furnished by the Borrower to the Authority and to the Trustee and the Bank at or prior to the delivery of the Series 2005 Bonds and annually on the renewal dates thereof. Within seven and one-half months of the Borrower’s Fiscal Year end, the Borrower shall furnish to the Authority and the Trustee: (i) an insurance reporting form describing such policies as evidenced by insurance certificates; (ii) a certificate signed by the chief financial officer of the Borrower stating that such insurance meets all requirements of this Agreement and (iii) a certification addressed to the Borrower, the Trustee and the Authority by a nationally recognized independent Insurance Consultant that the types and amounts of coverage provided are customary and reasonable for institutions of similar type and size taking into account the service mix provided by the Borrower. The Borrower will provide additional proof of insurance coverage at any time, upon reasonable request by the Authority, the Trustee or the Bank.

“(d) The Authority has heretofore accepted a certain plan of self-insurance and captive insurance in lieu of the insurance required by subsection (a)(iii) and (iv) hereof (the “**Accepted Plan**”). Upon the written request of the Borrower, the Authority reserves the right to permit modifications of or substitutions for the Accepted Plan or modifications of or substitutions for the other types of insurance required to be maintained by this subsection (d) including permission for the Borrower to be covered by self insurance or to have a captive insurance company program in whole or in part for any such coverage, all upon such terms and conditions as the Authority may require. In making its decision to permit such modifications or

substitutions, the Authority shall consider the potential risk to the Borrower and the Authority, the availability of insurance, the terms upon which insurance is available, the cost of available insurance, and the effect of such terms and such rates upon the Borrower's costs and charges for its services. In making any such determinations, the Authority may request and rely upon reports provided by the Borrower's retained professionals. In addition the Borrower will provide (i) an actuarial study prepared by a licensed independent actuary, (ii) a legal opinion that there will be no material adverse effect for reimbursement under Medicare and Medicaid programs or any governmental programs providing similar benefits or establishing rates and charges for health care services, (iii) a detailed structure of the self insurance or captive insurance program including the oversight committee and all service providers, including legal firms and accountants, (iv) a list of employed physicians covered under the program (self insurance and captive insurance program approval will be limited to employed physicians only), (v) a list of incidents to be reported to Borrower's current insurer prior to the effective date of the self insurance or captive insurance program, (vi) insurance trust agreements or captive insurance program licenses issued by the appropriate corporate or governmental body, and (vii) list of excess insurance carriers and reinsurance providers. The Borrower shall pay any fees charged by such Insurance Consultant and other professionals and any expenses incurred by the Authority.

The Authority shall give written notice to the Trustee and the Bank of any modifications or substitutions approved by the Authority pursuant to the paragraph (d) and shall indicate in such notice the effective date of such modifications or substitutions. The Authority's decisions to permit the modifications or substitutions aforesaid shall be in the Authority's sole and absolute discretion.

(e) In the event that the Borrower self insures or insures through a captive insurance company, the Borrower shall at commencement of such coverage, and on an annual basis (no later than the anniversary date of the commencement of such coverage), either obtain a Qualified Insurance Rating and provide such rating report to the Authority or:

(i) *provide a certification addressed directly to the Borrower, the Trustee, the Bank and the Authority from a licensed independent actuary specializing in the type of insurance being provided and not unacceptable to the Authority, that based upon an actuarial study, the total discounted held reserves plus capital and surplus in the self insurance or captive insurance program, limited to those funds that cannot be drawn upon by the Borrower for use in operations or otherwise unrelated to payment of claims, are at least equal to the discounted 75th percent confidence level (that expected total unpaid losses will not exceed the total indicated funding level for such coverage) and identifying the assumptions relied upon by the actuary in its determination; such assumptions shall not be unacceptable to the Authority; and*

(ii) *provide an opinion of counsel addressed directly to the Borrower, the Trustee, the Bank and the Authority that the self insurance or captive insurance program is in compliance with the laws and regulations of the state and/or country of domicile, and not in contravention of any laws or regulations of the State of New Jersey; and*

(iii) *provide evidence to the Trustee, the Bank and the Authority that the self insurance or captive insurance program has been audited by a nationally recognized independent firm of public accountants and has received an unqualified opinion or such form of opinion not unacceptable to the Authority.*

The provisions of this subsection (e) are intended by the parties to replace in their entirety the Authority's previous reporting and funding requirements applicable to the Accepted Plan.

(f) In the event that the Borrower is not able to comply with clause (e), the Borrower shall procure insurance as required under subsection (a) of this Section within 90 days of the anniversary date (referred to in subsection (e)) or by such other date acceptable to the Authority and approved in writing by an Authorized Officer of the Authority.

(g) Notwithstanding anything set forth herein to the contrary, the provisions of subsection (e) may be amended and supplemented by the Authority in its sole and absolute discretion, and without the consent of the Bondholders, the Trustee, the Bank or the Borrower, in order that such provisions shall be consistent with the Authority's policies then in effect.

MISCELLANEOUS

Ratification of Provisions of the Original Agreement.

The Original Agreement, as amended by this Amendment, is in all respects ratified and shall remain in full force and effect. The Original Agreement and this Amendment shall be read, taken and construed as one and the same instrument.

Effective Date.

This Amendment shall become effective as of the day and year first written above upon execution hereof by the parties hereto.

Counterparts.

This Amendment may be executed in multiple counterparts each of which shall be an original and each of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the parties hereto have each caused this Amendment to be executed by their duly authorized officers as of the date first written above.

Attest: NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

By: \_\_\_\_\_  
[NAME]  
[TITLE]

By: \_\_\_\_\_  
[NAME]  
[TITLE]

Attest: CHILDREN'S SPECIALIZED HOSPITAL

By: \_\_\_\_\_  
[NAME]  
[TITLE]

By: \_\_\_\_\_  
[NAME]  
[TITLE]

Attest: TD BANK, N.A.

By: \_\_\_\_\_  
[NAME]  
[TITLE]

By: \_\_\_\_\_  
[NAME]  
[TITLE]

**This Amendment is Hereby Approved:**

Wachovia Bank, National Association

By: \_\_\_\_\_  
Authorized Officer

Children's Specialized Hospital Foundation, Inc.

By: \_\_\_\_\_  
Authorized Officer

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AMENDMENT TO LOAN AGREEMENT

DATED AS OF SEPTEMBER 1, 2004

Between

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

and

ROBERT WOOD JOHNSON UNIVERSITY HOSPITAL, INC.

RELATING TO \$50,000,000 NEW JERSEY HEALTH CARE FACILITIES FINANCING  
AUTHORITY VARIABLE RATE REVENUE BONDS, ROBERT WOOD JOHNSON  
UNIVERSITY HOSPITAL ISSUE, SERIES 2004

DATED AS OF AUGUST 13, 2008

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**AMENDMENT TO LOAN AGREEMENT DATED AS OF SEPTEMBER 1, 2004  
BY AND BETWEEN THE NEW JERSEY HEALTH CARE FACILITIES  
FINANCING AUTHORITY AND ROBERT WOOD JOHNSON UNIVERSITY  
HOSPITAL, INC.**

This Amendment to the Loan Agreement Dated as of September 1, 2004 (the “**Original Agreement**”) by and between the New Jersey Health Care Facilities Financing Authority (the “**Authority**”), a public body corporate and politic and a political subdivision of the State of New Jersey, and Robert Wood Johnson University Hospital, Inc., a non-profit corporation, duly incorporated and subsisting under the laws of the State of New Jersey (the “**Hospital**” or the “**Borrower**”) dated as of August 1, 2008 (the “**Amendment**”).

**W I T N E S S E T H:**

**WHEREAS**, the Hospital has obtained financial assistance from the Authority to fund costs of constructing, renovating and equipping a three-story, approximately 56,000 square foot expansion of The Bristol-Myers Squibb Children’s Hospital (the “**Children’s Hospital Project**”), and renovating and equipping approximately 43,000 square feet of Obstetrics space in the Tower Building and the 1958 Building (the “**Obstetrics Space Project**”), as well as enhancing pediatric special procedure and surgical facilities, together with costs of issuing the Bonds (collectively the “**Project**”).

**WHEREAS**, the Authority to accomplish the purposes of the Act, has provided funds to the Hospital for the Project;

**WHEREAS**, the Authority and the Hospital have entered into the Original Agreement in connection with the Bonds (as herein defined) wherein the Authority has loaned the proceeds of the Bonds to the Hospital and wherein the Hospital has agreed to, among other things, make certain loan payments to the Authority, all as set forth in the Original Agreement;

**WHEREAS**, the Authority has issued its \$50,000,000 New Jersey Health Care Facilities Financing Authority Variable Rate Revenue Bonds, Robert Wood Johnson University Hospital Issue, Series 2004 (the “**Bonds**”) under and pursuant to a trust indenture dated as of September 1, 2004 (the “**Trust Indenture**”);

**WHEREAS**, the Hospital has requested that the Authority amend Section 5.7 of the Original Agreement, which section relates to the requirements imposed by the Authority in connection with the establishment by the Hospital of any captive insurance or self-insurance programs, through execution by the parties of this amendment to the Original Agreement (the “**Amendment**”);

**WHEREAS**, the Hospital has established a captive insurance company program and the Authority has previously approved the form of such program (the “**Accepted Plan**”) subject to the receipt by the Authority, on an annual basis, of certain items including receipt of, among other things, a Qualified Insurance Rating (as defined in the Original Agreement) from an Insurance Rating Agency (as defined in the Original Agreement);

**WHEREAS**, the Authority desires to amend the Original Agreement to incorporate its new policy which allows for other items to be provided by the Hospital if it so wishes, in lieu of a Qualified Insurance Rating;

**WHEREAS**, Section 9.06 of the Trust Indenture permits the Hospital and the Authority to amend the Original Agreement with the prior written consent of U.S. Bank National Association as successor bond trustee (the “**Trustee**”) and the prior written consent of Wachovia Bank, National Association (the “**Bank**”) the issuer of the letter of credit securing the Bonds;

**WHEREAS**, the Trustee and the Bank have each provided their written consent to the Amendment by their execution hereof;

**WHEREAS**, Windels Marx Lane & Mittendorf LLP, bond counsel, has delivered an opinion to the Authority and the Trustee to the effect that the Amendment is authorized or permitted by the Trust Indenture and the Amendment, in and of itself, will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purpose; and

**WHEREAS**, by resolution adopted on July 24, 2008, the Authority authorized this amendment to the Original Agreement.

**NOW, THEREFORE**, for and in consideration of the premises herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree that the Original Agreement shall be amended as follows:

***AMENDMENT TO ORIGINAL AGREEMENT***

Section 1.01. ***Amendment to Section 5.7.***

Section 5.7 of the Original Agreement is hereby amended to delete sections (B), (D), (E), and (f) and to replace such sections in their entirety with the following new sections (B), (D), (E), (F) and (G):

“(B) Each insurance policy required hereby shall (i) be by such insurer (or insurers) as shall be financially responsible, qualified to do business in the State and of recognized standing; (ii) be in such form and have such provisions as are generally considered standard provisions for the type of insurance involved; and (iii) prohibit cancellation, termination or lapse in coverage by the insurer without at least thirty (30) days prior written notice to the Authority and the Trustee. Prior to expiration of any such policy, the Borrower shall furnish the Authority and the Trustee with evidence satisfactory to the Authority that such policy has been renewed or replaced in compliance with this Agreement. All policies of insurance required under subparagraphs (A)(i), (vi) and (iv) above shall be for the benefit of the Borrower, the Authority, and the Trustee as their respective interests may appear, and shall be made payable to the Trustee. Policies evidencing the insurance required by subparagraphs (A)(ii), (iii), (iv) and (x) above shall be for the benefit of the Borrower. The Borrower shall have the right to receive payments due and to receipt for claims under policies of insurance and fidelity bonds required by subparagraphs (A)(ii), (iii), (iv), (v) and (x) above. All policies and certificates of insurance required hereby shall be open to inspection by the Authority and the Trustee at all reasonable times. Certificates of insurance describing such policies shall be furnished by the Borrower to the Authority and to the Trustee at or prior to the delivery of the Bonds. Within seven and one-half months of the Borrower’s Fiscal Year end, the Borrower shall furnish to the Authority and the Trustee: (i) an insurance reporting form describing such policies as evidenced by insurance certificates; (ii) a certificate signed by the chief financial officer of the Borrower and by an Insurance Consultant stating that such insurance meets all requirements of this Agreement and (iii) a certification addressed to the Borrower, the Trustee and the Authority by a nationally recognized independent Insurance Consultant that the types and amounts of coverage provided are customary and reasonable for institutions of similar type and size taking into account the service mix provided by the Borrower. The Borrower will provide additional proof of insurance coverage at any time, upon reasonable request by the Authority and the Trustee.

“(D) The Authority has heretofore accepted a certain plan of self-insurance and captive insurance in lieu of the insurance required by subsection (A)(iii) and (iv) hereof (the “**Accepted Plan**”). Upon the written request of the Borrower and an Authorized Representative of the Authority reserves the right to permit modifications of or substitutions for the Accepted Plan or modifications of or substitutions for the other types of insurance required to be maintained by this subsection (D) including permission for the Borrower to be covered by self insurance or to have a captive insurance company program in whole or in part for any such coverage, all upon such terms and conditions as the Authority may require. In making its decision to permit such modifications or substitutions, the Authority shall consider the potential risk to the Borrower and the Authority, the availability of insurance, the terms upon which

insurance is available, the cost of available insurance, and the effect of such terms and such rates upon the Borrower's costs and charges for its services. In making any such determinations, the Authority may request and rely upon reports provided by the Borrower's retained professionals. In addition the Borrower will provide (i) an actuarial study prepared by a licensed independent actuary, (ii) a legal opinion that there will be no material adverse effect for reimbursement under Medicare and Medicaid programs or any governmental programs providing similar benefits or establishing rates and charges for health care services, (iii) a detailed structure of the self insurance or captive insurance program including the oversight committee and all service providers, including legal firms and accountants, (iv) a list of employed physicians covered under the program (self insurance and captive insurance program approval will be limited to employed physicians only), (v) a list of incidents to be reported to Borrower's current insurer prior to the effective date of the self insurance or captive insurance program, (vi) insurance trust agreements or captive insurance program licenses issued by the appropriate corporate or governmental body, and (vii) list of excess insurance carriers and reinsurance providers. The Borrower shall pay any fees charged by such Insurance Consultant and other professionals and any expenses incurred by the Authority.

"The Authority shall give written notice to the Trustee of any modifications or substitutions approved by the Authority pursuant to this paragraph (D) and shall indicate in such notice the effective date of such modifications or substitutions. The Authority's decisions to permit the modifications or substitutions aforesaid shall be in the Authority's sole and absolute discretion.

"(E) In the event that the Borrower self insures or insures through a captive insurance company, the Borrower shall at commencement of such coverage, and on an annual basis (no later than the anniversary date of the commencement of such coverage), either obtain a Qualified Insurance Rating and provide such rating report to the Authority or:

- (i) provide a certification addressed directly to the Borrower, the Trustee and the Authority from a licensed independent actuary specializing in the type of insurance being provided and not unacceptable to the Authority, that based upon an actuarial study, the total discounted held reserves plus capital and surplus in the self insurance or captive insurance program, limited to those funds that cannot be drawn upon by the Borrower for use in operations or otherwise unrelated to payment of claims, are at least equal to the discounted 75th percent confidence level (that expected total unpaid losses will not exceed the total indicated funding level for such coverage) and identifying the assumptions relied upon by the actuary in its determination; such assumptions shall not be unacceptable to the Authority; and*
- (ii) provide an opinion of counsel addressed directly to the Borrower, the Trustee and the Authority that the self insurance or captive insurance program is in compliance with the laws and regulations of the state and/or country of domicile, and not in contravention of any laws or regulations of the State of New Jersey; and*
- (iii) provide evidence to the Trustee and the Authority that the self insurance or captive insurance program has been audited by a nationally recognized independent firm of public accountants and has received an unqualified opinion or such form of opinion not unacceptable to the Authority.*

“The provisions of this subsection (E) are intended by the parties to replace in their entirety the Authority’s previous reporting and funding requirements applicable to the Accepted Plan.

“(F) In the event that the Borrower is not able to comply with clause (E), the Borrower shall procure insurance as required under subsection (A) of this Section within 90 days of the anniversary date (referred to in subsection (E)) or by such other date approved in writing by an Authorized Representative of the Authority.

“(G) Notwithstanding anything set forth herein to the contrary, the provisions of subsection (E) may be amended and supplemented by the Authority in its sole and absolute discretion, and without the consent of the Holders, the Trustee, the Bank or the Borrower, in order that such provisions shall be consistent with the Authority’s policies then in effect.”

**ARTICLE II**  
**MISCELLANEOUS**

Section 2.01. **Ratification of Provisions of the Original Agreement.**

The Original Agreement, as amended by this Amendment, is in all respects ratified and shall remain in full force and effect. The Original Agreement and this Amendment shall be read, taken and construed as one and the same instrument.

Section 2.02. **Effective Date.**

This Amendment shall become effective as of the day and year first written above upon execution hereof by the parties hereto.

Section 2.03. **Counterparts.**

This Amendment may be executed in multiple counterparts each of which shall be an original and each of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the parties hereto have each caused this Amendment to be executed by their duly authorized officers as of the date first written above.

Attest:

NEW JERSEY HEALTH CARE  
FACILITIES FINANCING AUTHORITY

By: \_\_\_\_\_

By: \_\_\_\_\_

Attest:

ROBERT WOOD JOHNSON UNIVERSITY  
HOSPITAL, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Consented to By:

U.S. BANK NATIONAL ASSOCIATION,  
As the Trustee

By: \_\_\_\_\_  
Authorized Officer

WACHOVIA BANK, NATIONAL ASSOCIATION,  
As the Bank

By: \_\_\_\_\_  
Authorized Officer