

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

The following **Authority Members** were in attendance:

Gus Escher, Public Member (Chairing as Vice Chair); Ulysses Lee, Public Member; Eileen Stokley, Designee of the Commissioner of Human Services; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; and, William Conroy, Designee of the Commissioner of Health and Senior Services.

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

Mark Hopkins, Dennis Hancock, Steve Fillebrown, Lou George, Suzanne Walton, Susan Tonry, Bob Day, Carole Conover, Michael Ittleson, Ron Marmelstein, Marji McAvoy, and Stephanie Bilovsky.

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

Jack Robinson, Cindy Johnson, St. Joseph's Healthcare System; Greg Adams, Holy Name Hospital; Maryann Kicenuik, Windels Marx Lane & Mittendorf; David Kostinas, David Kostinas and Associates; Bart Plank, Jan Blazewski, Cain Brothers; Kari Fazio, Wachovia Bank; Brian Francz, New Jersey Office of Management and Budget; Sharnula Dey, M&T Bank; Scott Kobler, McCarter & English; Joseph Neal, Governor's Authorities Unit; and, Cliff Rones, Deputy Attorney General.

CALL TO ORDER

Gus Escher called the meeting to order at 10:08 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 24, 2007 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

APPROVAL OF MINUTES

A. April 24, 2008 Authority Meeting

Minutes from the Authority's April 24, 2008 meeting were presented for approval. Ms. Stokley offered a motion to approve the minutes; Mr. Lee seconded. Mr. Escher voted yes, Mr. Lee voted yes, Ms. Kralik abstained, Ms. Stokley voted yes, and Mr. Conroy voted yes. The minutes were approved.

BOND SALE REPORT

Dennis Hancock reminded the Members that in April, the pricing was finalized on the Meridian Health System (“Meridian”) conversion and the Atlantic Health System (“AHS”) refinancing. A refinancing for Underwood-Memorial Hospital (“Underwood”) was also priced. All three of these financings were done to eliminate auction rate securities from the borrowers’ capital structures. The second pieces of the Meridian and AHS issues and the refinancing for Underwood were all marketed with weekly variable rate resets. The Meridian issue continued the use of Assured Guaranty as the credit provider and added Bank of America and Wachovia as liquidity providers. AHS and Underwood eliminated their insurance companies as credit support and substituted direct pay letters of credit, Bank of America and Chase for AHS and UBS AG for Underwood.

Mr. Hancock stated that, since April 15th, there has been significant inflow of investments into money market funds, which are the primary purchasers of variable rate demand bonds because the put that is available on these securities make them extremely liquid. The Authority is now seeing record levels of money market fund assets and this has allowed the market to absorb the new issues of variable rate demand bonds that have resulted from the refinancing and conversion of auction rate securities. The Authority’s issues met with success with many of the bonds being purchased by New Jersey specific funds. In general, interest rates in the short-term market have been getting lower, as is reflected by the SIFMA (Securities Industry and Financial Markets Association) index reaching 1.70% this week.

Mr. Hancock added that, this week, Underwood and AHS both enjoyed a low interest rate of 1.50% and Meridian received a 1.60%. Mr. Escher asked which banks were providing credit support for the transactions that received a 1.50% interest rate, to which Mr. Hancock stated that Underwood’s bonds were issued on a direct pay letter of credit from UBS AG, and AHS’ bonds were issued on a direct pay letters of credit from Bank of America and Chase. He added that all three borrowers were pleased with their respective short-term interest rates and to be out of the auction rate market.

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

NEGOTIATED SALE REQUEST

Community Hospital Group, Inc., t/a JFK Medical Center

Mr. Hopkins reported that The Community Hospital Group, which does business as JFK Medical Center (“JFK”), signed a Memorandum of Understanding with the Authority to undertake a financing to provide proceeds to refund bonds issued by the Authority on behalf of JFK in 1993 and 1995, and pay costs related to the issuance of the bonds. The financing is expected to total approximately \$35 million. The bonds are expected to be tax-exempt and may be issued in more than one series.

The Community Hospital Group is a subsidiary of Solaris Health System, a New Jersey not-for-profit corporation. In addition to being the parent of JFK and Muhlenberg Regional Medical Center (which are acute care hospitals located in Edison and Plainfield, respectively) Solaris is also the parent or affiliate of two rehabilitation facilities, an ambulatory surgery center, three long-term care facilities and a hospice.

The Authority has issued \$22.2 million, \$30.1 million and \$53.2 million on behalf of JFK and other members of its obligated group in 1993, 1995 and 1998, respectively. As of December 31, 2007, approximately \$9.9 million, \$21.3 million and \$43 million of those bonds remain

outstanding, respectively. The 1993 and 1995 bonds would be defeased using the proceeds of this financing. The 1998 bonds are expected to remain outstanding.

Mr. Hopkins reminded the Members that, in March, the Authority approved a negotiated sale for a Hospital Asset Transformation Program (“HATP”) financing on behalf of JFK. That financing is expected, among other things, to refund the remaining \$18.6 million of bonds issued in 2000 on behalf of JFK’s affiliate, Muhlenberg.

According to the audited financial statements provided with the Memorandum of Understanding, JFK generated a decrease in cash and cash equivalents of approximately \$6.9 million in 2006 and an increase in cash and cash equivalents of approximately \$5 million in 2005. Unaudited information for 2007 shows that the JFK obligated group generated expenses in excess of revenues of approximately \$4.1 million. This loss is attributed to: a growth in uncompensated care, a decrease of inpatient admission at the rehabilitation facility as a result of Medicare’s 75% rule limiting the type of patients eligible to receive rehabilitation services, and staffing shortages that resulted in increased use of costlier agency staffing.

JFK requests that the Authority permit the use of a negotiated sale for the bonds because the financing would involve: (i) the sale of a complex or poor credit; (ii) a complex financing structure, including the simultaneous sale of more than one series with each series structured differently; and (iii) volatile market conditions. Because these are considered to be justifications for the use of a negotiated sale under the Authority’s Executive Order #26 policy, staff recommended the consideration of a 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 JFK has not yet selected a Senior Managing Underwriter for its bonds nor has it made a recommendation for bond counsel to the Attorney General’s office.

Mr. Hopkins concluded the presentation by stating that the Treasurer’s Office is currently considering refunding all of Muhlenberg and JFK’s debt under the HATP. The approval requested today is being sought in the event that the Treasurer’s Office denies the request to include all of JFK’s debt in an HATP issue. Mr. Conroy asked then, if the larger HATP bond issue is approved, would the bonds being requested in this negotiated sale request be issued, to which Mr. Hopkins replied they would not.

In response to a question from Mr. Escher, Mr. Hopkins explained that the 1993 and 1995 bonds had entered into a total return swap, in which all of the bonds were put into a trust. Upon the downgraded rating of AMBAC, the bond insurer, the holder of the trust has asked that the bonds be refunded. Mr. Escher asked if there are any anticipated savings from the refunding, to which Mr. Hopkins replied there are none.

Ms. Stokley asked if the Authority had received any feedback from the Treasurer’s Office yet regarding the request, to which staff replied that it had not. She then asked if there was a benefit to approving this request for a negotiated sale now as opposed to waiting for an answer from the Treasurer’s Office. Mr. Hancock explained that a response is expected from the Treasurer’s Office sometime between now and the Authority’s June meeting. If the Members approve of today’s request, in the event that the Treasurer’s Office denies the request to refund all of Muhlenberg’s debt through HATP bonds, staff and the hospital can begin working on this transaction immediately, which would benefit the hospital since they will likely be under pressure from the insurer to move quickly.

Mr. Lee moved to adopt the resolution approving the pursuit of a negotiated sale on behalf of Community Hospital Group, and the forwarding of a copy of the justification in support

of said resolution to the State Treasurer. Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-01
(attached)

NEGOTIATED PRIVATE PLACEMENT REQUEST
Holy Name Hospital

Mr. Hopkins began by introducing Greg Adams, Senior Vice President and Chief Financial Officer from Holy Name Hospital (“Holy Name”). Mr. Hopkins then reported that Holy Name has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing to refund a portion of the 1997 bonds issued by the Authority on behalf of Holy Name, and to refinance an existing \$3.7 million loan from UBS. With costs of issuance, Holy Name is seeking to finance a total of approximately \$35 million through the Authority.

In 1997, the Authority issued \$68,315,000 in bonds for Holy Name, of which approximately \$50.5 million remained outstanding as of March 31, 2008. Approximately \$30 million of these obligations are expected to be refunded from the proceeds of these bonds. In 2006, the Authority issued \$60 million in bonds for Holy Name, all of which remains outstanding as of March 31, 2008. These obligations are expected to remain outstanding. The Authority also issued bonds for Holy Name in 1989, 1990 1998 and 2001, all which have since been defeased or refunded.

Holy Name is a 361-bed, not-for-profit general acute care hospital located in Teaneck, New Jersey. It provides a full spectrum of inpatient, ambulatory care, home care and community services. In addition to its general medical, surgical, obstetrical, gynecological, pediatric and psychiatric services, the Hospital offers a wide array of diagnostic and treatment modalities and various specialty services. Holy Name Hospital is a subsidiary of Sisters of St. Joseph of Peace Health Care System.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, Holy Name generated excess revenues over expenses of \$6.5 million for 2006 and \$10.9 million in 2005. Unaudited consolidated financial information for 2007 shows excess revenues over expenses of approximately \$1 million, but shows an operating loss of approximately \$3.0 million. The hospital attributes the operating loss to a decline in admissions and an increase in health insurance costs as well as an increase in bad debts. For the period ending March 31, 2008, Holy Name shows a \$1.7 million gain from operations but expenses outpacing revenues by \$1.8 million.

Mr. Hopkins reported that Holy Name asks that the Authority permit the use of a negotiated private placement based on its expected use of variable rate debt, the complexity of the financing structure, including the anticipated simultaneous sale of more than one series of bonds with each series structured differently, the fact that it is a complex and poor credit and the current volatile market conditions. These are considered under the Authority’s Executive Order #26 policy to be justifications for the use of a negotiated sale.

Further, the Authority's policy states that, if an analysis by the borrower demonstrates that a private placement would be more beneficial to the borrower than a public sale, and the borrower provides the reasons for the use of a private placement to the Authority in writing, a private placement would be permitted. Holy Name provided such reasons in the required format.

Therefore, staff recommended the consideration of the resolution approving the use of a negotiated private placement and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Holy Name believes that the bonds will be purchased directly by Bank of America. Holy Name requested, and the Attorney General's office appointed, the firm of Windels, Marx, Lane & Mittendorf to serve as bond counsel for this financing.

Mr. Hopkins added that, similar to the Community Hospital group request, the Holy Name bonds to be refunded were also involved in a total return swap in which the bonds were put into a trust and now the holder of the trust is placing pressure on the hospital to refund the bonds.

Mr. Lee asked about Holy Name's total amount of outstanding Authority bonds, to which Mr. Hopkins stated that approximately \$110,500,000 remains outstanding.

Mr. Escher asked if the refunding bonds would be rated; Mr. Hopkins replied they would not. Mr. Escher asked why a private placement is being requested to which Mr. Hopkins noted that the private placement structure is a more efficient method for this transaction.

Mr. Adams then provided some additional insight into the transaction. He stated that Holy Name entered its 1997 bonds into a total return swap last year and recently was informed that UBS seeks to unwind the swap. A portion of those 1997 bonds were insured by AMBAC and the rest were uninsured. Bank of America agreed to acquire from the current holder the bonds that were uninsured, but they were unwilling to acquire the insured bond debt due to the downgrade of AMBAC's rating. This private placement is being requested to refund the AMBAC-insured portion of the bonds.

Ms. Stokley moved to adopt the resolution approving the pursuit of a negotiated private placement on behalf of Holy Name Hospital, and the forwarding of a copy of the justification in support of said resolution to the State Treasurer. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-02
(attached)

AMENDMENT TO THE SERIES RESOLUTION

St. Joseph's Healthcare System

Lou George began by introducing from St. Joseph's Healthcare System ("St. Joseph's"): Jack Robinson, Chief Financial Officer and Cindy Johnson, Administrative Director of Business Development and Decision Support. He then reminded the Members that, at the February meeting, the Members approved a contingent sale of bonds on behalf of St. Joseph's in an amount not to exceed \$260 million.

While finalizing the Preliminary Official Statement ("POS"), the working group realized that site plan approvals from the City and the County were not in place. When St. Joseph's management raised this issue with their engineers, they were advised that site plan approvals would be obtained after the Department of Community Affairs' ("DCA") plan approval was received. Mr. George stated that the Authority does not require DCA approval, however, it does require site plan approval. As a result, St. Joseph's contacted their local city and county officials, who are in full support of the project, and they are expediting the planning process to obtain these approvals. Staff was advised that the city and county would be holding meetings on

May 21 and May 22 to provide the site plan approvals; however, there is also a 45-day estoppel period after these approvals are received.

In order to maintain their construction schedule, St. Joseph's requests the Authority's consideration of allowing the printing and dissemination of a POS prior to the expiration of the estoppel period so long as the meetings at the city and county level are not contentious. This request has been granted on other occasions. The Authority will not close on the bond issue until the estoppel period has expired, assuming that there is no appeal.

Mr. George directed the Members' attention to Supplemental Series Resolution that allows for the mailing of the POS prior to the expiration of the estoppel period. In addition, because the February Series Resolution includes a contingency that the Authority enter into a Purchase Contract for the sale of the bonds by June 25th, the Supplemental Series Resolution extends this contingency to September 25th. Also, because the project is a phased project, language has been inserted that no payments for a specific phase of the project will be made until that phase has received DCA approval and the necessary surety bonds and insurance policies for that phase are in place. Lastly, Schedule C attached to the Supplemental resolution outlines the Members of the Obligated Group. This schedule excludes Wayne MRI Center, LLC, which was previously reflected as an initial member.

Mr. George introduced Maryann Kicenuik of Windels Marx Lane & Mittendorf (bond counsel) and Scott Kobler of McCarter & English (hospital counsel) who were also available to answer questions.

Mr. Conroy asked if the plans had been submitted to the DCA for approval; Ms. Johnson stated that the plans for the first phase were submitted last week. Ms. Johnson added that St. Joseph's had not received an expected response time for the DCA approval, however, it has been St. Joseph's experience that these approvals are granted within three to four months. Mr. Conroy asked if St. Joseph's has sought an expedited approval from the DCA, to which Mr. Robinson stated that, while the request has not yet been made, St. Joseph's does expect to request an expedited review.

Mr. Escher asked if time was an issue for St. Joseph's in this transaction. Mr. Kobler replied that part of this transaction involves refunding Series 1996A Authority bonds, which are insured by AMBAC. When St. Joseph's was financially struggling, AMBAC required that the hospital place funds in an escrow account to facilitate the hospital's paying down of the bonds beginning September 1, 2008. Therefore, the hospital would like to complete this transaction before the funding would be completed.

Mr. George reminded the Members that, should the bonds be issued, the construction-related money would be put into a fund, however, money could not be removed from that fund until St. Joseph's received DCA approval.

Ms. Stokley asked for clarification on what had changed in the Supplemental Resolution between the version that had been distributed in the mailing packet and the version that was on the table today for the Members' consideration. Mr. George stated that the resolution included in the mailing packet did not include Schedule C and there were changes made to Section 3.4, as well.

Ms. Kralik asked if the meetings scheduled for May 21 and 22 have continued as planned, to which Mr. Robinson said they have. St. Joseph's met with the city board last night and left the meeting with a signed resolution in support of the project. He indicated that the County approval only has a ten-day estoppel period so that is of less concern.

Mr. Escher asked if any opposition is expected from the public that would lead to an appeal, to which Mr. Robinsons stated that the public seems to be supportive of the project. At last night's meeting there was one member of the public asking questions, but his questions were more focused on whether or not the project would be a catalyst for the city to respond to necessary infrastructure improvements that had been delayed. Therefore, it seemed this individual would be more in support of the project and not object to it.

Mr. Conroy moved to amend the Series Resolution on behalf of St. Joseph's Healthcare System as recommended by staff. Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-03

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the "FIRST SUPPLEMENT TO THE SERIES RESOLUTION ADOPTED FEBRUARY 28, 2008 AUTHORIZING THE ISSUANCE OF REVENUE BONDS, ST. JOSEPH'S HEALTHCARE SYSTEM OBLIGATED GROUP ISSUE SERIES 2008 IN AN AGGREGATE AMOUNT NOT TO EXCEED \$260,000,000" (*attached*).

OLD/NEW BUSINESS

A. Appointment of Officers

Since the May meeting serves as the Authority's Annual Meeting, Mr. Conroy offered a motion to elect the following slate of Authority officers for the coming year.

Officers of the Authority

Vice Chairman	Gus Escher
Secretary	Ulysses Lee
Assistant Secretaries	Dennis Hancock Carole Conover (one vacancy)
Treasurer	Ulysses Lee
Assistant Treasurer	(vacant)

Authority Finance Committee

Chairman	Ulysses Lee
Members	Gus Escher William Conroy

Ms. Stokley seconded the nominations.

Mr. Roness then stated that the Authority's by-laws require that only Public Members serve on the finance committee. He warned that, by approving this slate that includes Mr. Conroy in the nomination for the Finance Committee, the Authority may make all of the Authority's by-laws non-binding. He counseled that the Members could vote to amend the by-laws. He also stated that having only two members on the Finance Committee would be sufficient since that is a quorum.

Mr. Conroy removed himself from the nominees for the Finance Committee and amended the slate as follows:

Officers of the Authority

Vice Chairman	Gus Escher
Secretary	Ulysses Lee
Assistant Secretaries	Dennis Hancock Carole Conover (one vacancy)
Treasurer	Ulysses Lee
Assistant Treasurer	(vacant)

Authority Finance Committee

Chairman	Ulysses Lee
Members	Gus Escher

Ms. Stokley seconded the amended slate of nominations. The vote was unanimous and the slate of elected officers was approved.

AB RESOLUTION NO. II-04

WHEREAS, with respect to the Authority’s elected official positions, one of the three Assistant Secretary roles and the role of Assistant Treasurer will remain vacant and may be filled at a later date with the appointment of new Authority Members,

NOW, THEREFORE, BE IT RESOLVED, that the following individuals are hereby elected to serve in the official positions noted until May 28, 2009, or until the next election of officers:

- Vice Chairman - Gus Escher
- Secretary - Ulysses Lee
- Assistant Secretaries - Dennis Hancock and Carole Conover
- Treasurer - Ulysses Lee

BE IT FURTHER RESOLVED, that the Authority’s Finance Committee will be chaired by Ulysses Lee, and Gus Escher will serve as a committee member.

Mr. Escher noted that the term of the Authority’s elected officers will begin immediately following the Governor’s ten-day veto period, barring any veto notification from the Governor’s Office. He also thanked the Members for giving him the honor of serving as Vice Chairman for another year.

B. Adoption of 2008-2009 Meeting Schedule

Mr. Escher referenced a proposed list of dates on which to conduct meetings of the Authority and its Finance Committee for the coming year. Ms. Stokley offered a motion to adopt the schedule; Mr. Lee seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. II-05

NOW THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the following schedule of dates on which to conduct meetings of the Finance Committee and the Authority; and,

BE IT FURTHER RESOLVED, that, as provided by the provisions of the Open Public Meetings Act and the Authority’s By-laws, the Assistant Secretary is authorized to provide notice of these meeting dates to the Authority’s designated newspapers, to post notice in the Authority offices and on the Authority’s website, and provide notice to the Secretary of State:

FINANCE 10:00 a.m.	AUTHORITY* 10:00 a.m.
2008 Tuesday, June 10 Tuesday, July 8 Tuesday, August 12 Tuesday, September 9 Wednesday, October 8 Wednesday, November 5 Tuesday, December 2	2008 Thursday, June 26 Thursday, July 24 Thursday, August 28 Thursday, September 25 Thursday, October 23 Thursday, November 20 Thursday, December 18
2009 Tuesday, January 6 Tuesday, February 10 Tuesday, March 10 Tuesday, April 7 Tuesday, May 12	2009 Thursday, January 22 Thursday, February 26 Thursday, March 26 Thursday, April 23 Thursday, May 28**

**A Finance Committee meeting has also been scheduled immediately following every Authority meeting*

***Authority’s annual meeting*

Mr. Escher noted for the record that, unless advertised to the contrary, all meetings are open to the public and shall be held in the Authority’s office on the fourth floor of Building #4, Station Plaza, South Clinton Avenue, Trenton, New Jersey. Mr. Escher added that the Authority’s staff will perform the required public announcement and notification of the meeting dates once the Governor’s ten-day veto period has passed.

AUTHORITY EXPENSES

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

AB RESOLUTION NO. II-06

WHEREAS, the Authority has reviewed memoranda dated May 15, 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 \$481,245.58, \$15,411.02 and \$46,457.13 respectively, and has found such expenses to be appropriate;

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

STAFF REPORTS

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

1. At the June 2007 retreat, the Members heard a discussion about the Authority's practice of distributing sales commissions on its bond issues. The Executive Director of the Authority has traditionally had the authority to determine how the designation of sale commissions or take-down fees between Senior Managing Underwriters and Co-Managers are set. In the past, following what used to be a relatively universal practice among governmental financing entities, the designations for issues with at least three managers were made in an amount not to exceed 50% for the Senior Managing Underwriter, thus giving the Co-Managers a chance to earn a large portion of the take-down. Due to changes in the financial markets, that long held practice is no longer universal among government financing entities but rather the exception. Authority borrowers and underwriters informed staff that the Authority's current practice has led to the likelihood that Authority borrowers are being subjected to inflated underwriting costs.

At the retreat last summer, the Executive Order #34 Committee was assigned the task of reviewing this practice. The Committee has not yet reached a final conclusion, but Dennis Hancock has proposed an interim designation practice to be used by the Authority to help provide information that could be used by the Committee to reach a conclusion. The Committee reviewed Dennis' proposal and agrees with implementing it on a temporary basis.

The proposed practice would apply to fixed rate public offerings where there are three or more firms in the management team. The designation policy would provide that at least three managers be designated with a minimum of 15% distributed to each manager. This means that, in most cases, the Senior Manager will be able to vie for 70% of the take-down rather than 50%. The Committee has requested that staff communicate with our borrowers and request information that will help staff evaluate this temporary practice.

Mr. Hopkins noted that unless the Members have any objection, staff will implement this practice until the Committee directs otherwise or the Committee reaches a final recommendation.

Mr. Hancock thanked the Executive Order #34 Committee for taking time to review the new designation guidelines, noting that the Committee provided helpful suggestions.

Mr. Conroy asked what affect staff expects this will have on Authority borrowers, to which Mr. Hancock stated that senior managers who may have been increasing other areas of the underwriting fee in order to get what was deemed an appropriate compensation for the senior managing work may now lower those fees resulting in less costs to the Authority borrowers. The Authority hopes this is a result of the change in practice; Mr. Hancock noted that staff will monitor the fees to see if this is in fact the result.

There were no objections to the change in practice from the Members.

2. In hospital news, as an update to last month's meeting, **St. Mary's Hospital in Passaic** has reached an agreement with the union representing its nurses and technicians. As discussed during executive session in April, St. Mary's has asked for the consent of the Treasurer and the Authority to a \$5 million bridge loan from HFG secured by its Pennington Avenue Campus, as well as an extended security interest in accounts receivable. The bridge loan is expected to enable St. Mary's to continue operations until it can complete the sale of the Pennington Avenue Campus, which was expected to be sold before March of this year. A draft letter was distributed to the Members outlining the conditions for the bridge loan that were discussed at the Authority's April meeting during executive session. Mr. Conroy asked if St. Mary's had seen the draft letter, to which Mr. Hopkins stated they had and they agreed to the conditions.

The mortgage on **Englewood Hospital**, which is insured by FHA, has gone to final endorsement, which will allow Englewood to pay a slightly lower interest rate (5 basis points).

The Attorney General's office concluded that a CHAPA review was not required for **Barnert Hospital, Columbus Hospital and Pascack Valley Hospital** because those hospitals had already received their Certificate of Need to close as acute care hospitals.

The joint venture formed by **Hackensack University Medical Center** and Touro Medical College that purchased **Pascack Valley Hospital** has announced its plans for the facility, which include a satellite emergency department, other outpatient health care services and facilities for the medical school. Additionally, it plans to reopen approximately 60 inpatient acute care beds in the fall and possibly increasing that to 150 beds in the future.

Capital Health System has been working with the FHA to insure the mortgage for an approximately \$700 million financing, which is

expected to include financing for the construction of Capital's facility in Hopewell that will replace the Mercer Campus, as well as renovations to the Fuld Campus and possibly some refunding of existing bonds.

Mr. Escher noted that such a financing would be very large for FHA to insure, to which Mr. Hancock replied that it was stated that this size financing would total more than all of the bonds insured by FHA last year. He added that staff has heard that the FHA is looking upon this opportunity to insure these bonds as a way to diversify their assets since these bonds involve a suburban location and the FHA's market is largely urban.

3. UBS, one of the largest underwriters of health care municipal bonds announced that it is leaving the municipal bond market. An article related to the UBS announcement was provided to the Members. Their departure will leave some of the Authority's borrowers with the need to replace them as remarketing agent on existing variable rate demand bonds that reset rates on a weekly basis. In many cases the Executive Director has been authorized to effectuate these changes, but in a couple of instances, the notice and replacement provisions of the appropriate documents indicate that action of the Authority is necessary.

In such cases, the Attorney General's office has consistently interpreted that to mean an Authority action at an Authority meeting. Because timing may be critical for some borrowers, staff recommends the Authority's consideration of a resolution authorizing the Executive Director to take the actions necessary to replace UBS, in particular, as remarketing agent upon a request by a borrower where the borrower has selected a new remarketing agent in accordance with Authority policy. The proposed resolution, distributed to the Members at this meeting, also includes a provision that the Executive Director report back to the Authority if and when any action has been taken contemplated by the resolution. In addition, at the DAG's suggestion the resolution has an expiration date of December 31, 2008.

Mr. Hancock added that this resolution would only affect two Authority borrowers. UBS currently serves as remarketing agent for Meridian bonds issued in 2003 and 2008. The 2003 bond documents already authorize the Executive Director to replace the remarketing agent without board action, however, the 2008 bond documents currently require action from the Authority. Underwood-Memorial Hospital also has an issue on which UBS serves as remarketing agent and those bond documents require action from the Authority as well.

Mr. Hancock added that UBS also serves as remarketing agent for the Authority's Capital Asset Loan program. Staff will be circulating a Request For Qualifications to replace UBS in this capacity in the coming month. This will be an action that the Authority Members will vote upon. He added that the program has \$100 million outstanding.

Mr. Hancock noted that UBS is currently still achieving acceptable interest rates for the Authority transactions, however, staff and the

borrowers are concerned that, as UBS seeks a buyer for this portion of its business, key experienced personnel will exit the company which could lead to less favorable rates.

Mr. Conroy asked if staff anticipates other banks to follow in the struggles of UBS, to which Mr. Hancock stated that Bear Stearns and Merrill Lynch have already shown some weaknesses and their stability will depend on whether or not they can successfully obtain other investment support. Mr. Hancock stated that he would no be surprised to see other banks struggling in this area as well.

Mr. Lee offered a motion to approve the resolution authorizing the Executive Director to take actions necessary to replace UBS Investment Bank as remarketing agent for Authority bonds; Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-07

(attached)

4. CentraState Medical Center expects to convert its taxable auction rate bonds to taxable variable rate demand notes on May 28th. Upon conversion a remarketing agent will be needed; CentraState selected Bank of America.

5. Saint Barnabas Health Care System is expected to begin a conversion of its auction rate bonds soon.

6. Dianne Johnson, Authority Assistant Account Administrator, celebrated her 15 years of service with the Authority milestone this month.

EXECUTIVE SESSION

Mr. Escher noted that the Authority considered a need to discuss contract negotiations regarding St. Mary's Hospital in Passaic Executive Session, however, since the only question on the matter was discussed during the Executive Director's report, the Members saw no need to enter Session to further discuss the matter. As there was no further business to be addressed, Ms. Stokley moved to adjourn the meeting, Ms. Kralik seconded. The vote was unanimous, and the motion carried at 11:10 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 MAY 22, 2008.

Dennis Hancock
Assistant Secretary

AB RESOLUTION NO. II-01

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

The Community Hospital Group, Inc. (aka JFK Medical Center)

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

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

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

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

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

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

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

WHEREAS, The Community Hospital Group, Inc. has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

WHEREAS, The Community Hospital Group, Inc. has requested that the Authority consider approving the pursuit of a negotiated sale; and,

WHEREAS, market conditions could be considered volatile; and,

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

WHEREAS, the Authority is desirous of being responsive to The Community Hospital Group, Inc.'s request; and,

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

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

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

AB RESOLUTION NO. II-02

**RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY
PRIVATE PLACEMENT TRANSACTION PURSUANT TO
EXECUTIVE ORDER NO. 26**

Holy Name Hospital

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

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

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

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

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

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

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

WHEREAS, Holy Name Hospital has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

WHEREAS, Holy Name Hospital has requested that the Authority consider approving the pursuit of a negotiated sale; and,

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

WHEREAS, the Financing may be of a complex structure, including the involvement of the simultaneous sale of more than one series with each series structured differently; and,

WHEREAS, market conditions could be considered volatile; and,

WHEREAS, Holy Name Hospital is considering the issuance of variable rate bonds for all or a portion of the Financing; and,

WHEREAS, Holy Name Hospital has requested consideration of a determination that a negotiated private placement sale is the appropriate method of financing; and,

WHEREAS, the Authority's policy states that a private placement would be permitted if, on an analysis by the borrower, a private placement would be more beneficial to the borrower than a public sale, and the borrower provides, in writing, the reasons for the use of a private placement; and,,

WHEREAS, Holy Name Hospital provided such reasons; and,

WHEREAS, the Authority is desirous of being responsive to Holy Name Hospital's request; and,

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

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

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

AB RESOLUTION NO. II-07

**RESOLUTION AUTHORIZING THE EXECUTIVE
DIRECTOR OF THE AUTHORITY TO TAKE ACTIONS
NECESSARY TO REPLACE UBS INVESTMENT BANK AS
REMARKETING AGENT FOR AUTHORITY BONDS**

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

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

WHEREAS, UBS Investment Bank (“UBS”) has made a public announcement of its intent to terminate its municipal operations; and,

WHEREAS, documents related to Authority Bonds for which UBS is the current Remarketing Agent may include the requirement that termination of the remarketing agent and the appointment of a new remarketing agent is solely at the direction of the Authority; and,

WHEREAS, the Authority recognizes that, in this situation, time may be of the essence; and,

WHEREAS, the Authority’s current policy, in accordance with Executive Order #26, permits the borrower to select its senior manager or remarketing agent from the Authority’s approved list so long as the borrower undertakes an appropriate competitive process;

NOW, THEREFORE, BE IT RESOLVED, that, in those cases where the Authority must terminate a remarketing agent and appoint a new remarketing agent and where UBS is the current Remarketing Agent, the Authority hereby authorizes the Executive Director to terminate UBS as remarketing agent upon the request of a borrower and to accept the borrower’s selection of the replacement remarketing agent so long as the borrower has provided the Authority with written evidence of a competitive process and the selected remarketing agent is on the Authority’s approved list; and,

BE IT FURTHER RESOLVED, that, the Executive Director is authorized to make such changes in the Remarketing Agreement, with the advice of counsel, as may be necessary to accomplish the purpose of this Resolution; and,

BE IT FURTHER RESOLVED, that, the Executive Director report to the Authority actions taken as a result of this Resolution; and,

BE IT FURTHER RESOLVED, that no action shall be taken as a result of this Resolution subsequent to December 31, 2008.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

**FIRST SUPPLEMENT TO THE SERIES RESOLUTION
ADOPTED FEBRUARY 28, 2008
AUTHORIZING THE ISSUANCE OF
REVENUE BONDS,
ST. JOSEPH'S HEALTHCARE SYSTEM OBLIGATED GROUP ISSUE
SERIES 2008
IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$260,000,000**

Adopted: May 22, 2008

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

WHEREAS, the Authority duly adopted on October 29, 1992 its General Health Care Facilities Registered Bond Resolution (the “**General Resolution**”); and

WHEREAS, the General Resolution authorizes the issuance by the Authority, from time to time, of its revenue bonds, in one or more series, for the authorized purposes of the Authority; and

WHEREAS, the General Resolution provides that bonds of the Authority shall be issued pursuant to a series resolution; and

WHEREAS, a public hearing in accordance with Section 147(f) of the Code (as hereinafter defined), was, or will be on the date hereof, conducted for the issuance of the Series 2008 Bonds (as hereinafter defined) after public notice of such hearing was published in accordance with such Section of the Code; and

WHEREAS, the Authority deems it necessary and in keeping with its purposes to issue the Authority's Revenue Bonds, St. Joseph's Healthcare System Obligated Group Issue, Series 2008 (the "**Series 2008 Bonds**"), under the General Resolution and under a Series Resolution adopted by the Authority on February 28, 2008 (the "**Original Series Resolution**"), for the purpose of lending to (a) St. Joseph's Hospital and Medical Center ("**SJRMC**" or sometimes the "**Paterson Hospital**"), a nonprofit corporation, duly organized and existing under the laws of the State of New Jersey and a health care organization under the Act and (b) St. Joseph's Wayne Hospital, Inc. ("**SJWH**" or sometimes the "**Wayne Hospital**"), a nonprofit corporation, duly organized and existing under the laws of the State of New Jersey and a healthcare organization under the Act (collectively, the "**Institutions**" and, together with any of their respective successors and assigns, the "**Borrowers**"), funds that, together with other available moneys, will be sufficient to: (i) construct and/or renovate portions of the Health Care Facilities (as defined in the Original Series Resolution), and acquire equipment and furnishings required for use at the Health Care Facilities, as more specifically identified on Schedule A attached to the Original Series Resolution (the "**New Money Project**"), (ii) refund certain outstanding bonds issued by the Authority for the benefit of the Institutions, as identified on Schedule B attached to the Original Series Resolution, and to refinance a loan made by Valley National Bank the proceeds of which were used to prepay a promissory note issued to the seller in connection with the acquisition by St. Joseph's Healthcare System, Inc. of Wayne Hospital (the "**Refunding Project**"), (iii) fund the Debt Service Reserve Fund (as hereinafter defined) for the Series 2008 Bonds, (iv) fund capitalized interest on a portion of the Series 2008 Bonds (if any) and (v) pay certain costs incidental to the issuance and sale of the Series 2008 Bonds, including deposits to certain funds created under the General Resolution or hereunder (the "**Loan**");

WHEREAS, the Authority desires to amend the Original Series Resolution to provide for certain conditions to execution of a Bond Purchase Contract and dissemination of a Preliminary Official Statement in connection with the Series 2008 Bonds.

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

Definitions and Terms. Unless the context shall otherwise require, and except as provided in this First Supplement to Series Resolution, the capitalized words and terms used in this First Supplement to Series Resolution shall have the meanings specified in the Original Series Resolution.

Amendments to Original Series Resolution.

(i) Schedule C attached to the Original Series Resolution is hereby replaced with a new Schedule C that has been revised to delete Wayne MRI Center, LLC as an Initial Obligated Issuer.

(ii) Section 2.2(b) of the Original Series Resolution is hereby deleted in its entirety and replaced with the following:

“(b) Any Authorized Officer of the Authority is hereby authorized to execute and deliver on behalf of the Authority the Bond Purchase Contract with the Underwriter in substantially the form presented to the meeting at which this Series Resolution is adopted (with such appropriate insertions and changes as Counsel may advise and the Authorized Officer executing the same may approve, such approval to be evidenced by such Authorized Officer’s execution thereof) for the purchase of the Series 2008 Bonds at the price or prices to be agreed upon for the Series 2008 Bonds, such Bond Purchase Contract to be executed prior to the close of business on September 24, 2008, provided that such price shall reflect an Underwriter’s discount (including counsel fees) not in excess of \$16.00 per \$1,000.00 of Series 2008 Bonds; and provided, further, that said Authorized Officer shall not execute and deliver the Bond Purchase Contract unless the Borrowers have received and have provided to an Authorized Officer of the Authority (i) a privity letter or letters from the Borrowers auditor regarding the audited financial statements of the Borrowers contained in the Official Statement, in form and substance satisfactory to said Authorized Officer and (ii) a letter from counsel to the Borrowers stating that all appeal periods relating to local site plan approvals granted by the City of Paterson and the Passaic County Planning Board relating to the New Money Project have expired. A copy of the Bond Purchase Contract as executed shall be filed with the records of the Authority. In connection with the execution of the Bond Purchase Contract, any Authorized Officer of the Authority is hereby authorized to accept on behalf of the Authority the Letters of Representation from the Borrowers in substantially the forms presented to the meeting at which this Series Resolution is adopted as an exhibit to the Bond Purchase Contract, such acceptance of the Letters of Representation to be evidenced by such Authorized Officers execution of such Letters of Representation simultaneously with the execution and delivery of the Bond Purchase Contract.”

(iii) Section 2.7 of the Series Resolution is hereby deleted in its entirety and replaced with the following:

“(a) The distribution by the Underwriter of the Preliminary Official Statement relating to the Series 2008 Bonds presented to the meeting at which this Series Resolution is adopted (a draft of which shall be filed with records of the Authority) is hereby authorized in substantially such form, with such insertions, deletions and changes therein and any supplements thereto as Counsel may advise and the Authorized Officer executing the same may approve, such approval to be evidenced by such Authorized Officer’s execution thereof. Any Authorized Officer of the Authority is hereby authorized to deem the Preliminary Official Statement “final” within the meaning of Rule 15c2-12 of the Rules of the Securities and Exchange Commission and to execute and deliver a certificate to that effect. Any Authorized Officer of the Authority is hereby authorized to approve the contents and the form of the Official Statement in respect of the Series 2008 Bonds in substantially the form of the Preliminary Official Statement. Any Authorized Officer of the Authority is hereby authorized to sign such Official Statement on behalf of the Authority, in substantially such form, with such insertions, deletions and changes therein and any supplements thereto as Counsel may advise and the Authorized Officer executing the same may approve, such approval to be evidenced by such Authorized Officer’s execution thereof.

Notwithstanding anything set forth in paragraph (a) hereinabove to the contrary, no mailing or other dissemination of a Preliminary Official Statement shall be permitted unless the Borrowers have provided (a) evidence in form satisfactory to an Authorized Officer of the Authority that all local site plan approvals required for the New Money Project have been obtained and (b) a certificate from an Authorized Officer of SJRMC and a letter from its counsel, each stating that based upon the events leading up to and comprising the local site plan approval process (city and county) and the lack of opposition at such city and county planning board meetings at which the site plans relating to the New Money Project were reviewed and approved, such Authorized Officer and counsel have no reason to believe that any appeals will be filed during the appeal period(s) following the granting of such final local site plan approvals required for the New Money Project.”

(iv) Section 3.4(c) of the Series Resolution is hereby deleted in its entirety and replaced with the following:

“(c) Notwithstanding the foregoing, moneys in Bond Proceeds Account of the Construction Fund shall not be applied to the payment of the Costs of any portion of the New Money Project until (1) there has been delivered to the Authority and the Trustee evidence acceptable to an Authorized Officer of the Authority and the Trustee that all surety bonds (in the amounts required by Section 4.3 of the Loan Agreement) relating to that portion of the New Money Project for which funds are being requisitioned and all insurance policies required by Section 4.4 of the Loan Agreement relating to the applicable Construction Contract(s) and the Contractor(s) for whom funds are being requisitioned or reimbursed to the Institutions, have been obtained; and (2) there has been delivered to the Authority and the Trustee evidence acceptable to an Authorized Officer of the Authority and the Trustee that the plans and specifications relating to that portion of the New Money Project for which funds are being requisitioned, have been approved by the New Jersey Department of Community Affairs.”

Confirmation of Original Series Resolution. The Original Series Resolution and this First Supplement to Series Resolution shall be read, taken and construed as one and the same resolution. Except as amended and supplemented hereby, the provisions of the Original Series Resolution shall remain in full force and effect.

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