Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on February 28, 2013 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** *were in attendance:*
Elisa Charters, Public Member (Chairing); Bill Conroy, Designee of the Commissioner of Health; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Greg Lovell, Designee of the Commissioner of Human Services; and Dr. Munr Kazmir, Public Member.

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Steve Fillebrown, Ron Marmelstein, Suzanne Walton, Michael Ittleson, Linda Hughes, Bill McLaughlin, Carl MacDonald, Jessica Lucas, Edwin Fuentes, Arvella King, Paige Piotrowski, Tracey Cameron, Marji McAvoy, Ellen Lieber and Christopher Kulick.

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones, Deputy Attorney General; Ryan Feeney, Steven Petrecca, Steve Kutkin and Raymond Arcario of Treasury; Brian O'Neill of Department of Health; Bob Palermo of Meridian Health System; Thomas Lichtenwalner of St. Luke's University Health Network; Carl Alberto of St. Luke's Warren Hospital; John Kelly of Wilentz, Goldman & Spitzer; Dorit Kressel of Wolff Samson; Safi Najdani and Brian Carter of Wells Fargo; Jim Quakenbush of JNESCO; and Dr. James J. Kostinas of David Kostinas.

CALL TO ORDER

Vice Chair Elisa Charters called the meeting to order at 10:02 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 24, 2012 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 *Courier Post,* enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

1. APPROVAL OF MINUTES
January 24, 2013 Authority Meeting

Minutes from the Authority's January 24, 2013 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Ms. Charters seconded. The vote was unanimous and the motion carried.

2. MERIDIAN HEALTH
a. Negotiated Sale Request & Informational Presentation

Mr. Bill McLaughlin introduced Bob Palermo, Vice President of Finance for Meridian Health System. He informed the Members that his presentation would serve as both a negotiated sale request and an informational presentation.

Meridian Health System, Inc. ("Meridian Health") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $38 million, the proceeds of which will be used to currently refund all of the NJHCFFA issued Bayshore Community Hospital Series 2002 Revenue Bonds; fund a debt service reserve fund, if required, and pay the related costs of issuance.

Meridian Health is the parent organization and sole member of Meridian Hospitals Corporation and Meridian Nursing and Rehabilitation, Inc. Meridian Hospitals Corporation operates four hospital divisions: Jersey Shore University Medical Center, Ocean Medical Center, Riverview Medical Center, and Southern Ocean Medical Center. Through a subsidiary, Meridian also operates Bayshore Community Hospital. On or about March 18, 2013, Bayshore Community Hospital is expected to become an Obligated Group Member of the Meridian Health System Master Trust Indenture and be subsequently merged into Meridian Hospitals Corporation.

During the fourth quarter of 2012, the Authority issued three series of privately placed variable rate bonds on behalf of Meridian that had a total par amount of $135,415,000. The Series 2012A, 2012B and 2012C Bonds were placed with a subsidiary of Bank of America, TD Bank and Wells Fargo, respectively. At year-end 2012, the Meridian Obligated Group, including Bayshore Community Hospital, had approximately $603.5 million of Authority issued debt outstanding.

Unaudited financial statements from the third quarter of 2012 indicate that Meridian had an excess of revenues over expenses of $51.34 million compared to $46.40 million for the same period of 2011. Excluding bassinets, Meridian Health has 1,735 licensed beds and employs approximately 7,586 people. Meridian is currently rated "A/A" from S&P and Fitch respectively. Based on unaudited numbers for year-end 2012, Meridian has 224 days cash on hand, an operating margin of 4.2% and debt service coverage of 3.35 times.

Meridian has asked that the Authority permit the use of a negotiated sale based on volatile market conditions. This reason is considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale, therefore, Staff recommended the consideration of the resolution, included in Members' meeting materials, approving the use of a negotiated public offering and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

The Attorney General's Office has assigned Wilentz, Goldman & Spitzer to serve as Bond Counsel on this transaction. Meridian has indicated that it has completed a competitive process to name an underwriter and wishes to utilize the services of Wells Fargo Securities as the senior managing underwriter for the bonds. Amongst the criteria used in making this selection were price, financial strength of the institution and knowledge of the marketplace.

Ms. Charters asked the Members' pleasure with respect to the adoption of the Resolution supporting the issuance of revenue bonds by negotiated transaction pursuant to Executive Order #26 on behalf of Meridian Health. Dr. Kazmir offered a motion to adopt the resolution; Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-58

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

(attached)

3. GREYSTONE PSYCHIATRIC HOSPITAL & MARLBORO PSYCHIATRIC HOSPITAL
Informational Presentation, Adoption of Reimbursement Resolutions and Approval of Financial Advisor

Ms. Suzanne Walton introduced, from the Office of the Treasurer, Steven Petrecca, Assistant Treasurer and Raymond Arcario, Deputy Executive Director of the Department of the Treasury's Division of Property Management and Construction.

She stated that she would be providing an Informational Presentation on the proposed Greystone and Marlboro Project financings and then would turn the presentation over to Mr. Arcario to provide a more detailed project overview.

Ms. Walton informed Members that the Authority is in the process of structuring a transaction on behalf of the Department of Human Services for the issuance of bonds on its behalf to provide funding for two project financings: the Greystone Project and the Marlboro Project. With respect to the Greystone Project, bond proceeds will be used to: (a) finance the costs of completing the demolition, reclamation and remediation of the psychiatric facilities formerly used by Greystone Park Psychiatric Hospital; (b) fund capitalized interest, if necessary, (c) refund all or a portion of the Authority's Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital) Series 2003 and Series 2005 Bonds and (d) pay the related costs of issuance.

With respect to the Marlboro Project, bond proceeds will be used to: (a) finance demolition and remediation costs on the campus of the former Marlboro Psychiatric Hospital site, including the decommissioning and demolition of a wastewater treatment facility and electrical power plant; for the conversion of a portion of the land to open space and recreational use; (b) finance the costs of constructing group housing for the treatment of developmentally disabled residents with medical needs on the Marlboro campus including parking, road work and infrastructure costs, (c) fund capitalized interest, if necessary and (d) pay the related costs of issuance.

The Authority previously financed the construction of a replacement hospital on the Greystone Park Psychiatric Hospital campus through the issuance of Department of Human Services, Lease Revenue Bonds, in two phases: Phase I, for approximately $19 million, was completed in 2003 and provided funds for the initial design and construction of renovations and additions to Greystone, the demolition of certain improvements, and the construction of certain roadways on the campus. Phase II, for approximately $186.5 million, was completed in 2005 and provided funds for new construction of a 450 bed hospital, renovations to existing facilities and the acquisition of equipment. The proposed bond issue will finance the final demolition and remediation work renovation and reclamation costs associated with the old Greystone property.

Similar to the structure used for the issuance of the Series 2003 and 2005 Bonds, the Series 2013 Bonds will be issued as Lease Revenue Bonds, whereby, the DHS will enter into one or more Leases with the Authority and the Authority, in turn, will sublease the Leased Properties back to the Department of Human Services. The subleases will require the Department to make rental payments sufficient to cover interest and principal payments to the bondholders along with any administrative expenses of the Authority. The bonds will be "appropriation bonds" in that rental payments will be subject to appropriation by the legislature to the Department. Staff anticipates coming back to the Board next month seeking contingent sale approval.

Ms. Walton turned the presentation over to Mr. Arcario, who provided the Members with a more detailed description of the planned project. He reported that in regards to the Marlboro project:

- The subject parcel is approximately 400 acres and is bounded by residences on two sides, and roads on the other two sides.
- Department of Human Services has not had an active service at the location since the late 90s.
- Since that time, the property has been abandoned except for the maintenance and operation of a waste water treatment facility, as well as maintenance and access of roads.
- Treasury has engaged a consultant to assess the conditions found, and to advise the proper disposition for the facility and nearly 100 buildings on the property.
- The consultant proposed demolition and restoration to open, parkland like property.
- The plan includes environmental clean-up, remediation of soils and water, remediation of asbestos, removal of hazardous building materials, and ultimately demolishing and restoring the property.
- The plan proposes to "abandon in place" what is permissible to abandon, such as utility tunnels.
- The plan proposes group living run by DHS, which may possibly be located in the southwest corner of the property, with easy access to utilities.

In response to a question from Ms. Charters about the possibility of underground storage tanks, Mr. Arcario noted that they do expect to find underground storage tanks, which will be removed. They also expect to possibly find areas where tanks may have already been removed, but not properly remediated. In those cases, they will complete remediation of the areas where the tanks were removed. He added that as part of the DEP program, there will be an independent certifying consultant and at the end of the project, there will be a certification that the site has been clean and there are no environmental hazards.

In response to a question from Mr. Bob Palermo of Meridian Health regarding the use for park purposes versus group housing, Mr. Arcario responded that they plan proposes two facilities to be used for medically fragile individuals served through DHS, and there is a limit of six individuals permitted in each facility, so there would be a maximum total of 12 individuals serviced by the two facilities. The facilities would be located on approximately 10-15 acres of the property. He added that the aerial photos may not do justice to the topography, but throughout the property, there is a significant elevation change, as well as a creek that runs through. Much of the area is undeveloped or not able to be developed. The rest of the parcel not used for the group housing will be the subject of an agreement with the county that would have the responsibility to maintain and operate the rest of the property as an accessible public park. That agreement will run co-terminous with the bonds.

Mr. Hopkins pointed out to Members that Recovery Management Services was located on one of the adjacent parcels of land, which the Authority financed in the past.

In response to a question from Ms. Charters on the estimated cost of the clean-up, Mr. Arcario stated that the total cost for the project, including clean-up, is estimated to be $75 million. Responding to Ms. Charters' question regarding the number of residents, Mr. Arcario stated that there would be a maximum of 12 residents, six in each of the two facilities.

In regards to the Greystone project, Mr. Arcario informed Members that:

- There are two parcels that are the subjects of the current project, including the large Kirkbride building.
- Previously, 2003 and 2005 Authority bonds were used to finance the building of a new facility, called "New Greystone."
- Post-construction of the new facility, discussions continued regarding what to do with unusable facilities on the property, including the Kirkbride building, a nearly 700,000 square foot, four story building.
- A consultant determined that the proper disposition of the building would be demolition and environmental clean-up of all of the buildings, including the Kirkbride building. Given the historical implications of such an old and large building, a historic redevelopment consultant has been engaged and a report is expected shortly regarding additional possibilities for the Kirkbride building. However, at this point, the project is advancing with the intent to include the Kirkbride building in demolition plans.
- In order to receive federal tax credits, the preservation of the building must include preservation of the entire exterior edifice, which does not appear possible.
- The plan is to "abandon in place" this building and others on the property, complying with necessary regulations.
- There are over 60 buildings and structures on the property.
- The second parcel that is part of the project includes a waste water treatment plant that will be retained by the State. It will be carved out of any agreement reached with the county regarding the county maintaining and operating the two parcels as open space public parks.

In response to a question from Mr. Conroy about power on the property, Mr. Arcario stated that at one point it had its own power plant, but now it receives municipal power.

Mr. Lovell asked if there had been any discussion regarding expanding care, and if there were a need for beds. Mr. Arcario affirmed that those conversations did occur when the decision was made to build the new facility. It was determined that the old building and its layout could no longer meet the models and needs of how service is provided today for individuals who need psychiatric care in hospitals.

Ms. Charters asked Ms. Walton to outline the specific requests that Staff had of the Board.

Ms. Walton reported that the Department has requested that the transaction be sold by competitive bid and, therefore, no action is required by the Board to proceed with a competitive bid process. The Members are being asked to adopt Resolutions on behalf of the Series 2013 Greystone and Series 2013 Marlboro Bonds declaring the intent of the Authority to use bond proceeds to refinance any interim financings or loans incurred by the State or the Authority in order to initially finance the 2013 Projects and to reimburse the State and Authority a portion of the costs of the 2013 Project expended prior to the issuance of bonds. Drafts of the Reimbursement Resolutions were included with the Board mailing material, and revised resolutions were provided to Members at the meeting. Staff requested the Members' consideration and approval of the resolutions.

In addition, the transaction will require the services of a financial advisor. The Office of Public Finance within the Treasury Department conducted an RFP process under Executive Order 26 for the selection of a financial advisor. An evaluation committee reviewed the proposals and recommended to the Treasurer the selection of Acacia Financial Group. The Treasurer accepted the recommendation and is recommending the Authority's approval of Acacia Financial Group as Financial Advisor in connection with the bond issue.

Dr. Kazmir made a motion to adopt the proposed Reimbursement Resolution on behalf of Greystone Psychiatric Hospital. Ms. Charters seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-55

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the Resolution titled "RESOLUTION OF INTENT BY THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY PURSUANT TO TREASURY REGULATION 1.150-2 TO USE PROCEEDS OF DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013A FOR THE REIMBURSEMENT OF EXPENDITURES."

(attached)

Mr. Conroy made a motion to adopt the proposed Reimbursement Resolution on behalf of Marlboro Psychiatric Hospital. Dr. Kazmir seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-56

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the Resolution titled "RESOLUTION OF INTENT BY THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY PURSUANT TO TREASURY REGULATION 1.150-2 TO USE PROCEEDS OF DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (MARLBORO PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013 FOR THE REIMBURSEMENT OF EXPENDITURES."

(attached)

Dr. Kazmir made a motion to approve the selection of Acacia Financial Group as Financial Advisor for this transaction. Mr. Lovell seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-57

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the selection of Acacia Financial Group as Financial Advisor for the Greystone Psychiatric Hospital and Marlboro Psychiatric Hospital transactions.

2. **MERIDIAN HEALTH (continued from previous section)**
   b. **Consent to Merger of Bayshore Community Hospital and Meridian Hospitals Corporation**

Mr. Carl MacDonald informed the Members that Staff would be requesting the approval of a resolution on behalf of Bayshore Community Hospital ("BCH") and Meridian Hospital Corporation ("MHC"), which would facilitate BCH becoming a member of the Obligated Group under the Meridian Master Trust Indenture ("MTI") and the subsequent merger of BCH into MHC. BCH, which currently operates as a wholly-owned subsidiary of MHC, has notified the Authority of its intention to become an Obligated Group Member under the MTI. Following BCH becoming an Obligated Group Member, it is anticipated that BCH will be merged into MHC, with MHC being the surviving entity. Once the merger is complete, BCH will cease to exist as a legal corporate entity, with all BCH outstanding obligations being absorbed by MHC and security provided by the Meridian MTI. This is currently scheduled to be completed on or around April 1, 2013.

In connection with the addition of BCH to the Obligated Group, the Obligated Group must provide certifications that it will satisfy certain Debt Service Coverage Ratio covenants immediately after the addition of BCH to the Obligated Group. In addition, the merger of BCH into MHC is conditioned upon compliance with certain provisions, which, pursuant to Section

5.1(a) of the 2004 Loan Agreement between the Authority and BCH, will require the approval by all of the credit-enhancers on its existing transactions and the written consent of the Authority. A resolution authorizing and approving the Authority's execution of documents relating to BCH becoming a member of the Obligated Group and the merger of BCH into MHC has been prepared approving the form of the First Amendment to the Loan Agreement and authorizing an Authorized Officer to execute the Authority's Consent document, following the completion of each of the required prerequisites with respect to the merger.

Mr. Conroy asked how Bayshore was doing in respect to the Meridian System, and about the contribution it was making to the Meridian System. Mr. Palermo responded that Bayshore became a subsidiary in September of 2010, and since then, Meridian has been working to integrate Bayshore into the Meridian culture and financial system. There have been a lot of management changes, implementation of Meridian's operational structure, contracting rates and negotiating with vendors. Meridian was able to turn Bayshore around from an operating loss to breaking even and a small operating gain. Meridian felt it was time to bring Bayshore in to become an official member of the system and it has been happy with the progress.

Dr. Kazmir moved to approve the resolution consenting to the merger of Bayshore Community Hospital and Meridian Hospitals Corporation. Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-59

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION AUTHORIZING AND APPROVING A FIRST AMENDMENT TO LOAN AGREEMENT AND GRANTING CONSENT TO THE MERGER OF BAYSHORE COMMUNITY HOSPITAL WITH AND INTO MERIDIAN HOSPITALS CORPORATION."

(attached)

4. NEGOTIATED SALE REQUEST & INFORMATIONAL PRESENTATION <u>St. Luke's Warren Hospital</u>

Ms. Suzanne Walton introduced Thomas Lichtenwalner, Senior Vice President Finance and Chief Financial Officer for St. Luke's University Health Network and Carl Alberto, Chief Financial Officer of St. Luke's Warren Hospital.

She informed the Members that St. Luke's Warren Hospital, Inc. formerly known, prior to the acquisition by St. Luke's University Health Network, as Warren Hospital, has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt public offering of approximately $42 million. Her presentation would serve as both a request for a negotiated sale and as an informational presentation. The proposed transaction will currently refund all of the Authority's outstanding Series 2012 Revenue Bonds issued on behalf of St. Luke's Warren Hospital.

More specifically, bond proceeds will be used to refinance a bridge loan used to purchase the Series 2012 bonds, which were privately placed with Allstate Insurance Company and carry an interest rate of 6%. The bridge loan allows St. Luke’s Warren to achieve interest rate savings on the bonds while the Authority works with St. Luke’s on the proposed current refunding of those bonds. Simultaneously with the refinancing of the bridge loan, St. Luke’s will cancel the bonds and proceed with a public offering of bonds.

Since the Bonds are currently callable at par, St Luke’s could achieve significant savings under current market conditions. In addition, prior to the issuance of the Series 2013 bonds, St. Luke’s Warren Hospital will become a member of the Obligated Group of the St. Luke’s Hospital and Health Network under the Health Network’s Master Trust Indenture and the bonds will be marketed on the credit of the System which is currently rated A3 by Moody’s and BBB+ by S&P.

St. Luke’s Warren Hospital is a not-for-profit 214-bed general acute care hospital located in Phillipsburg, New Jersey. Located in the most western part of New Jersey, the hospital provides primary healthcare services to the residents in the western and southern half of Warren County, and parts of northwestern Hunterdon. Its secondary service area encompasses parts of eastern Pennsylvania and central Warren County. St. Luke’s Warren is part of an integrated healthcare delivery system, the head of which is St. Luke’s University Health Network (SLHN). SLHN is a 501(c)(3) Pennsylvania nonprofit corporation that operates acute care hospitals in Lehigh County, Northhampton County, Bucks County and Schuylkill County, Pennsylvania. Excluding nursing bassinets, the system has 924 licensed beds, generates revenues of over $1 billion million annually and has approximately 8,500 employees**.**

In January of 2012, as part of the acquisition of Warren Hospital, the Authority issued $42,150,000 of fixed rate tax exempt bonds for the purpose of financing a portion of the costs of completing the acquisition of all of the ownership interests of the former Warren Hospital by St. Luke's Hospital of Bethlehem, PA. The Series 2012 Bonds were issued and delivered to Allstate Insurance Company in a direct placement in exchange for all of the Authority's outstanding Series 2008A and Series 2008B (taxable) Bonds which were cancelled and extinguished.

In addition to the bonds issued in 2012, the Authority issued bonds on behalf of Warren Hospital in 1985, 1995, 2002 and 2008 totaling $88.6 million of debt.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, St. Luke’s University Health Network generated an excess of revenues over expenses of approximately $33.8 million for 2012 and $27.4 million in 2011. For the year ending June 30, 2012, SLHN had 134 days of cash on hand, a cushion ratio of 9.7 and a debt service coverage ratio of 3.2.

St. Luke’s Warren has asked that the Authority permit the use of a negotiated sale based on volatile market conditions. This reason is considered under the Authority’s policy regarding Executive Order #26, to be a justification for the use of a negotiated sale, therefore, Staff recommended the consideration of the resolution, included in the Members’ meeting materials, approving the use of a negotiated public offering and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

St. Luke's Warren performed a competitive process for the selection of a senior managing underwriter and wishes to utilize the services of Bank of America Merrill Lynch. It is anticipated that St. Luke's Warren will be requesting contingent sale approval from the Board next month.

In response to a question from Ms. Charters regarding the percent difference between New Jersey and Pennsylvania patients, Mr. Lichtenwalner stated that, in regards to St. Luke's Warren, almost all patients are from New Jersey, with only a few from Easton. Ms. Charters asked if most patients were from suburban areas, and if any were from urban areas. Mr. Alberto responded that the primary service area is Phillipsburg, and while the surrounding areas are more affluent, there are access issues in Phillipsburg that Warren does address.

Ms. Charters asked the Members' pleasure with respect to the adoption of the Resolution supporting the issuance of revenue bonds by negotiated transaction pursuant to Executive Order #26 on behalf of St. Luke's Warren Hospital. Dr. Kazmir offered a motion to adopt the resolution; Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-60

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

(attached)

5. NEGOTIATED PRIVATE PLACEMENT REQUEST
<u>Children's Specialized Hospital</u>

Mr. Mark Hopkins informed the Members that Children's Specialized Hospital ("CSH") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt negotiated sale of approximately $15 million in the form of a private placement.

Children's Specialized Hospital is a not-for-profit 501(c)(3) corporation which is an affiliate member of the Robert Wood Johnson Health System. It is one of the largest pediatric rehabilitation hospitals in the United States. CSH provides a wide array of medical, developmental, educational and rehabilitative services for infants, children, adolescents and young adults. CSH currently operates in ten locations: Bayonne, New Brunswick, Clifton, Hamilton, Egg Harbor Township, Fanwood, Roselle Park, Mountainside, their main campus; and two facilities in Toms River.

The proceeds of the proposed bond issue will be used to refund the variable interest rate Series 2005B bonds issued by this Authority on behalf of CSH; and pay the related costs of issuance.

In 2005, the Authority issued two series of bonds on behalf of CSH. Series 2005A, a fixed rate issue in the amount of $32,895,000 and Series 2005B, a variable rate issue in the amount of $24,000,000. The proceeds were used to fund the construction of a 130,000 square foot, five-level building to house the relocation of 60 comprehensive pediatric rehab beds from their existing campus in Mountainside to the campus of RWJ University Hospital in New Brunswick, NJ. There is $15,225,000 of those Series 2005B bonds that remain outstanding, all of which will be refunded with the proceeds of the private placement issue. The Series 2005A Bonds will remain outstanding.

CSH's credit can be considered complex as its Moody's rating is "Baa3", only one notch above non-investment grade, and its Fitch rating is a "BBB". While volatile market conditions exist, CSH wishes to eliminate bank credit risk, remarketing risk, and the annual fees associated with the current 2005B issue. CSH has received proposals from five banks, and is seeking to secure an initial fixed rate term of 10 years.

CSH has asked that the Authority permit the use of a negotiated sale based on the sale of bonds for a complex or poor credit and volatile market conditions. These reasons are considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale.

Also under the Authority's policies, a Borrower requesting a private placement form of a negotiated sale must justify the use of a private placement. CSH, along with their financial advisor, prepared a financial analysis to determine whether to proceed with a private placement or a public offering. Based upon their analysis, a private placement would: (i) reduce costs of issuance; (ii) expedite the issuance of the refunding bonds to capture the current favorable interest rate market; and (iii) generate net present value savings over a public offering of $2.474 million (16.5%), for a fixed rate period over the next 10 years. Therefore, Mr. Hopkins recommended the consideration of the resolution, included in Members' meeting materials, approving the use of a private placement form of negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Staff anticipates conducting an informational presentation at the March meeting, followed by a request for a contingent sale of bonds at the Authority's April Board Meeting.

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

AB RESOLUTION NO. MM-61

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

(attached)

6. AMENDMENT TO THE 2013 AUTHORITY BUDGET
<u>Transfer from the Special Tax Counsel Line Item to the Bankruptcy Fees/Costs Line Item</u>

Mr. Michael Ittleston informed the Members that back in 2009, the firm of Capehart & Scatchard was appointed by the Attorney General's office to provide legal advice to the Authority in connection with the St. Mary's Hospital bankruptcy. It was thought that the matter had been completed in 2011. However, an issue arose in August 2012 that once again required the attention of counsel.

Then, at the beginning of this month, Staff received an email from the Attorney General's office approving for payment two invoices from Capehart & Scatchard covering the periods August 2012 and September 2012. Those invoices had been sent through the AG's office Counsel Link System but bankruptcy counsel had not provided copies to the Authority and as such the Authority's 2012 cash budget had not been amended for the invoices and no amount had been carried over to the Authority's 2013 cash budget to pay for Capehart's work on these additional invoices.

As a result, Staff is asking the Members consideration in amending the 2013 cash budget under the category Contractual Services by transferring $580 from the Special Tax Counsel line item to the Bankruptcy Fees and Costs line item. The Special Tax Counsel line item has a budget of $13,000. Work on that matter has been completed and Staff has received an invoice that is still under review but has come in well under the fee cap. Therefore, Staff felt comfortable in requesting the transfer from that line item.

Mr. Conroy asked what the issue was that arose. Mr. Hopkins stated that in the finalization of the bankruptcy process, it was determined that the Authority liens survived bankruptcy, however there was some unclear language as to preserving the liens. The Authority's bankruptcy counsel caught this and was able to resolve the issue without going to court, by having a discussion with St. Mary's counsel.

Dr. Kazmir offered a motion to amend the Authority's 2013 budget to transfer $580 from the Special Tax Counsel line item to the Bankruptcy Fees/Costs line item. Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-62

NOW, THERFORE, BE IT RESOLVED, that the Authority hereby amends the Authority's 2013 budget to transfer $580 from the Special Tax Counsel line item to the Bankruptcy Fees/Costs line item.

7. CORPORATE BANKING RESOLUTIONS & SIGNATURE CARDS

Ms. Charters reminded the Members that when there is a change in officers, such as last month's election of a new Vice Chair, Staff must provide the Authority's bank with new corporate banking resolutions and signature cards. Dr. Kazmir offered a motion to adopt these updated resolutions; Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-63

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby adopts corporate banking resolutions as a result of the election of a new Vice Chair.

8. APPROVAL OF EXPENSES

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

AB RESOLUTION NO. MM-64

> **WHEREAS,** the members of the Authority have reviewed the memoranda dated February 20, 2013, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $121,664.61 and $19,770.02 respectively, and have found such expenses to be appropriate;
>
> **NOW, THEREFORE, BE IT RESOLVED,** that the members of the Authority hereby approve all expenses as submitted, and authorize the execution of checks representing the payment thereof.

9. STAFF REPORTS

Ms. Charters thanked staff for the Project Development Summary, Cash Flow Statement and Legislative Advisory reports.

Mr. Hopkins then presented his Executive Director's report noting the following items to Members:

1. He introduced Brian O'Neill, the Executive Director of Health Care Finance for the Department of Health, and noted that the Authority will be seeing more of him in the future. Mr. O'Neill had previously served in financial leadership positions at Somerset Medical Center and Barnabas Health System.

2. He reminded the members of the Audit Committee, Mr. Conroy, Ms. Kralik and Mr. Feeney, that there is an Audit Committee meeting on Tuesday, March 12 at 10:00 a.m. to discuss the audit with the Auditors, in accordance with the requirements of Executive Order #122 (McGreevey).

3. He also reminded Members that an investigation was conducted by Attorneys General of 26 states, including the State of New Jersey, which began in the spring of 2008. The investigation concerned alleged violations of state and federal antitrust and other laws by Providers, Brokers and Advisors involved in the marketing, sale and placement of Municipal Bond Derivatives.

Wachovia Bank, N.A. agreed to enter into a Settlement Agreement with the Attorneys General. Wachovia agreed to pay a total of $54.5 million in restitution to Eligible Counterparties in return for a release of claims against Wachovia. The Authority's share of the restitution was determined to be $67,790.98.

At the August 23, 2012 board meeting, the Members authorized an Authorized Officer of the Authority to execute a Settlement Agreement with Wachovia to release the restitution funds on behalf of the New Jersey borrowers involved in the settlement. Mr. Hopkins subsequently executed the Settlement Agreement.

Catholic Health East and Hackensack University Medical Center elected to participate in the Settlement. The amount calculated by the Attorneys General due from Wachovia to Catholic Health East is $55,129.08 and Hackensack University Medical Center is $12,661.90.

Wells Fargo, as successor to Wachovia, has issued the settlement check to the Authority, and the Authority in turn has issued checks in the stated amounts to Catholic Health East and Hackensack University Medical Center.

4. Hospital & Other News

a. Hunterdon Healthcare, parent of Hunterdon Medical Center, has announced it has a new Chief Financial Officer. Gail Kosyla joins Hunterdon from Catholic Health East, where she was in senior financial leadership positions for 20 years, including as Chief Financial Officer at St. Mary Hospital in Langhorne, PA and St. Francis Hospital in Trenton.

b. Valley Hospital has announced a new expansion plan for the Ridgewood-based hospital. Previous expansion plans for the hospital were met with considerable opposition from some in the community, which after several denials by the Ridgewood Planning Board, nevertheless passed the planning board only to be denied by the Ridgewood Village Council. As part of a settlement agreement between Valley, the Ridgewood Planning Board and the opposition community group Concerned Residents of Ridgewood, a court is requiring the new expansion proposal to receive consideration by the planning board at its March 11 meeting and that the planning board conduct two meetings per month to receive public comment. Valley's previous plan had been expected to cost approximately $750 million and contemplated doubling the square footage of Valley and creating single-bed patient rooms as well as other changes Valley felt were needed to bring it in line with modern and efficient hospital standards. This concerns the Authority because, once the plans are approved, it would be expected that Valley Hospital would finance through the Authority.

c. St. Luke's Warren Hospital is planning to invest $30 million in renovations and improvements at the hospital.

d. Fitch Ratings has affirmed its "A" rating on bonds issued by the Authority in 2006 on behalf of Hunterdon Medical Center with a rating outlook of positive.

e. Governor Christie and Commissioner O'Dowd attended a meeting of the New Jersey Hospital Association. The Governor praised the work hospital administrators did to keep services available to the public during Superstorm Sandy.

f. Commissioner O'Dowd visited Jersey City Medical Center to tour the renovations made necessary by Superstorm Sandy. The Commissioner also met with other Hudson County health care executives to encourage discussions on planning for future emergencies.

g. As part of the Governor's Budget Address on Tuesday, Governor Christie indicated that charity care funding for hospitals will remain the same in his fiscal year 2014 budget and also indicated that New Jersey would participate in the Medicaid expansion offered under the Affordable Care Act. The inclusion of these provisions in the proposed budget is expected to be a benefit for hospitals and other health care organizations in the State.

h. Bayshore Community Hospital and Meridian Health Affiliated Foundations announced a $5 million donation from Janice Mitchell Vassar in memory of her brother Ashby John Mitchell. Mrs. Vassar stated that the donation was to "make my hospital the best hospital it can be." A significant portion of the donation is expected to expand cardiovascular services at Bayshore and other Meridian facilities as well as provide additional assistance for the visually impaired.

i. Holy Name Medical Center will be participating in a nationwide study sponsored by the American Cancer Society to prevent cancer before it happens.

j. Both St. Mary's Hospital and St. Michael's Medical Center have entered into Asset Purchase Agreements with Prime Healthcare Services, a for-profit healthcare company that owns over twenty hospitals. Most of its hospitals are in California but it also has hospitals in Nevada, Texas and Pennsylvania. Two articles were provided on the proposed transactions.

k. University Hospital, the University of Medicine and Dentistry of New Jersey and Rutgers are all actively planning for the split of University Hospital from UMDNJ on July 1, 2013, which is part of the larger plan to reorganize the State's medical schools, Rutgers and Rowan.

l. Virtua Health and Kennedy Health System are in discussions to collaborate. Virtua operates four hospitals in South Jersey and Kennedy operates three.

m. A few other articles were provided to Members on steps being taken in New Jersey to meet other initiatives resulting from the Affordable Care Act, including payment bundling arrangements and gainsharing between hospitals and physicians. He also suggested

Members review an article in Time magazine titled “Bitter Pill.” While he does not agree with everything in it, it could be a good starting point for discussions on some of the problems in today’s health care system.

5. Authority News

a. Two Authority Staff Members have provided notice that they will be resigning effective March 8. Chris Kulick, the Authority’s Accountant will be pursuing his Masters in Accountancy and has a job lined up in the fall with the Deloitte accounting firm. Kerry Cook, the Authority’s Administrative Assistant in the Division of Operations and Finance, has accepted a similar position with the New Jersey judiciary. He wished them both well on their future endeavors.

b. The Authority has hired a new Database Administrator, Paige Piotrowski. Paige’s last name may sound familiar; her mother is the Authority’s Human Resources Manager Robin Piotrowski. Paige graduated Summa Cum Laude from Richard Stockton College with a Bachelor of Science in Business last May. She has been working at the Revel in Atlantic City as Assistant Manager of Event Operations. He welcomed her to the Authority. Mr. Hopkins informed Members that procedures had been put into place to assure there is no conflict or appearance of impropriety, and he would be handling her HR issues.

10. EXECUTIVE SESSION

At this point, Ms. Charters asked the Members to meet in Executive Session to discuss contractual negotiations and potential litigation regarding St. Mary’s Hospital, St. Michael’s Medical Center and Our Lady of Lourdes Medical Center, Burlington. As permitted by the Open Public Meetings Act and the Authority’s By-laws, Dr. Kazmir moved to meet in Executive Session to discuss contractual negotiations and potential litigation regarding St. Mary’s Hospital, St. Michael’s Medical Center and Our Lady of Lourdes Medical Center, Burlington. Mr. Lovell seconded it. The vote was unanimous and the motion carried. Ms. Charters noted that the results of this discussion will be made public when the need for confidentiality no longer exists.

AB RESOLUTION NO. MM-65

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public Meetings Act and the Authority’s By-laws, the Authority meet in Executive Session to discuss contractual negotiations and potential litigation regarding St. Mary’s Hospital, St. Michael’s Medical Center and Our Lady of Lourdes Medical Center, Burlington,

BE IT FURTHER RESOLVED, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

Public session reconvened. No action was taken during Executive Session.

In regards to the issue discussed in Executive Session, Dr. Kazmir moved to delegate to an Authorized Officer of the Authority, the authority to sign a voluntary closing agreement regarding 1998E, 2007E and 2010 bonds issued by the Authority on behalf of Lourdes Medical Center of Burlington County; Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-66

> **NOW, THEREFORE, BE IT RESOLVED,** that the Members of the Authority delegate to an Authorized Officer of the Authority, the authority to sign a voluntary closing agreement regarding 1998E, 2007E and 2010 bonds issued by the Authority on behalf of Lourdes Medical Center of Burlington County.

As there was no further business to be addressed, following a motion by Dr. Kazmir and a second by Mr. Conroy, the Members voted unanimously to adjourn the meeting at 11:17 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 FEBRUARY 28, 2013.

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Stephen M. Fillebrown, Assistant Secretary