Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on July 25, 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); Brian O'Neill, 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; Dr. Munr Kazmir, Public Member; and Suzette Rodriguez, Public Member (via telephone).

*The following **Authority staff members** were in attendance:*
Mark Hopkins, Ron Marmelstein, Suzanne Walton, Michael Ittleson, Carole Conover, Linda Hughes, Bill McLaughlin, Carl MacDonald, Ellen Lieber, Edwin Fuentes, Jessica Lucas, Taryn Jauss, and Marji McAvoy.

*The following **representatives from the State and/or the public** were in attendance:*
Cliff Rones, Deputy Attorney General; Peter Simon, Governor's Authorities Unit; Ryan Feeney, Treasury; Brian Reilly, Susan Flynn, Geri Ann Swenarton and David Bogle of RWJUH; Christopher McCann of JP Morgan; Bernard Davis of Wolff & Sampson PC; Jim Foley of Shore Medical Center; Kevin Quinn of McCarter & English; Skip Cimino and Fred Jacobs of RWJUH at Hamilton; Chuck Stafford of Ziegler; Brian Carter and Nick Warner of Wells Fargo; Gerry Lowe and Bob Osler of Virtua; Kay Fern of Evergreen Financial; and Doug Placa of JNESCO.

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 23, 2013 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
a. June 27, 2013 Authority Meeting

Minutes from the Authority's June 27, 2013 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Mr. Lovell seconded. The vote was unanimous and the motion carried.

2. TEFRA HEARING & CONTINGENT BOND SALES
a. Robert Wood Johnson University Hospital

Ms. Charters announced that the following portion of the meeting would be considered a public hearing in connection with the proposed issuance of bonds on behalf of Robert Wood Johnson University Hospital – New Brunswick and Robert Wood Johnson University Hospital at

Hamilton. This hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Mr. Carl MacDonald informed Members that the Borrower had requested a last minute change to the Bond Resolution for the variable rate bonds originally included in the Board mailing package. The resolution had stated that the variable rate bonds would initially be issued in the Index Mode. Subsequent to the mailing, the borrower and the underwriter requested an amendment to that language to allow the variable rate bonds to bear interest at a variable rate as described in the Trust Agreement, including the Index Rate Mode, Commercial Paper Mode, Daily Mode, Weekly Mode, Term Rate Mode and Fixed Rate Mode. If the Authority Members agree to this change it would allow the borrower the flexibility to select the most appropriate variable rate mode prior the marketing of the bonds. An Authorized Officer of the Authority, in consultation with the borrower and the underwriter, will then select the appropriate interest rate mode prior to marketing the bonds. Should the selected interest mode require credit enhancement, the authorization to issue the bonds would be contingent upon the receipt of a bank approval. The two-page Board Summary and Bond Resolution were revised to reflect this change and copies were placed on the table.

Mr. MacDonald introduced Brian Reilly, CFO, Geri Ann Swenarton, VP of Finance, and David Bogle, VP of Construction Services from Robert Wood Johnson University Hospital – New Brunswick. He informed Members that he would be requesting the approval of a contingent sale of bonds on behalf of Robert Wood Johnson University Hospital in two series, the Series 2013A Bonds, which will be fixed rate bonds, and the Series 2013B Bonds, which will be variable rate bonds, in a combined aggregate principal amount not to exceed $225 million.

The proceeds of the Series 2013 Bonds will be used to fund a series of construction projects at the New Brunswick campus, including: (1) constructing a parking and office facility comprised of a parking garage for approximately 725 cars, two floors of administrative office space of approximately 60,000 square feet, and the expansion of the normal and emergency power systems, including the acquisition or construction of related facilities and equipment, to be used by the hospital; (2) constructing and/or renovating the expansion of the South Building Patient Floor, including the addition of approximately 80 private adult acute care beds, with shell space for approximately 40 additional beds, and four new operating rooms, including the acquisition or construction of related facilities and equipment; and (3) constructing and/or renovating the Emergency Department, including the acquisition or construction of related facilities and equipment. Proceeds will also be used to fund reasonably required reserves, if any, for the Series 2013A Bonds and/or the Series 2013B Bonds; fund capitalized interest, if any, on the Series 2013A Bonds and/or the Series 2013B Bonds; and pay costs incidental to the issuance and sale of the Series 2013 Bonds.

The Series 2013 Bonds will be secured by payments made by RWJUH under its Loan Agreements, as evidenced and secured by Notes issued under the Hospital's Master Trust Indenture and amounts on deposit in certain funds held by the trustee pursuant to the resolutions. The notes will be secured by the Master Trust Indenture, which includes a gross receipts pledge. It is expected the Series 2013 Bonds will be rated "A2" by Moody's and "A" by Standard & Poor's.

Mr. MacDonald then introduced Bern Davis of Wolff & Sampson PC, bond counsel, to present the Series Resolution pertaining to the Series 2013A Bonds, as well as the Bond Resolution pertaining to the Series 2013B Bonds.

Series Resolution

Mr. Davis informed Members that because the transaction involves both fixed rate and variable rate debt, bond counsel has prepared two separate resolutions, a Series Resolution authorizing the fixed rate debt, and a Bond Resolution authorizing the variable rate debt.

Mr. Davis stated the Series Resolution authorizes the issuance of the Series 2013A Bonds in an aggregate principal amount which, together with the aggregate principal amount of the Series 2013B Bonds authorized pursuant to the Bond Resolution, will not exceed $225,000,000. The true interest cost of the Series 2013A Bonds will not exceed 6.50%. The Series 2013A Bonds will have a final maturity of no later than July 1, 2043, and the redemption price of the Series 2013A Bonds shall not exceed 105%. The Series Resolution approves the substantially final form of, and authorizes the execution of, a Bond Purchase Contact with J.P. Morgan Securities LLC, as Underwriter on behalf of itself and the other underwriters set forth in the Bond Purchase Contract, prior to the close of business on October 23, 2013.

In addition, the Series Resolution approves the distribution of a Preliminary Official Statement and final Official Statement, and approves the substantially final forms of the Loan Agreement and Project Fund and Costs of Issuance Fund Agreement, with such changes as counsel may advise and the Authorized Officers executing the same may approve.

The Series Resolution appoints U.S. Bank National Association as the Trustee, Bond Registrar and Paying Agent for the Series 2013A Bonds and authorizes the Authorized Officers of the Authority to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Series 2013A Loan Agreement and Bond Purchase Contract and the issuance and sale of the Series 2013A Bonds.

Bond Resolution

In regards to the Bond Resolution, Mr. Davis stated that the Bond Resolution authorizes the issuance of Series 2013B Bonds in an aggregate principal amount which, together with the aggregate principal amount of the Series 2013A Bonds authorized pursuant to the Series Resolution, will not exceed $225,000,000. The Series 2013B Bonds shall mature no later than July 1, 2043. The Series 2013B Bonds shall bear interest initially at a variable rate defined as the Index Mode and thereafter at a variable rate or at any of the other interest rates modes described in the Series 2013B Trust Agreement, provided that the interest rate initially shall not exceed 6.50% and thereafter shall not exceed 12.0%, and in no event shall the interest rate exceed the maximum rate permitted by applicable law. The redemption price of the Series 2013B Bonds shall not exceed 105%.

The Bond Resolution approves the substantially final form of, and authorizes the execution of, a bond purchase contract no later than October 23, 2013 for the purchase of the Series 2013B Bonds with JPMorgan as Underwriter. In addition, the Bond Resolution approves the distribution of a Preliminary Official Statement and a final Official Statement relating to the Series 2013B Bonds.

The Bond Resolution also approves in substantially final form the Loan Agreement, Trust Agreement and Project Fund and Costs of Issuance Fund Agreement, with such changes as counsel may advise and the Authorized Officers executing the same may approve.

Finally, the resolution appoints U.S. Bank National Association as the Trustee, Bond Registrar and Paying Agent for the Series 2013B Bonds and authorizes the Authorized Officers of the Authority to appoint, at the request of the borrower, a remarketing agent, if and at such time as doing so may be advisable or required pursuant to the Trust Agreement. The resolution also authorizes the Authorized Officers of the Authority to execute and deliver such other documents and to take such other action as may be necessary or appropriate in order to effectuate the execution and delivery of the respective Trust Agreement and the Loan Agreement and the issuance and sale of the Variable Rate Bonds.

Ms. Charters asked if there were any questions or comments from the public. Hearing none, Ms. Charters asked the Members' pleasure with respect to the adoption of the Series Resolution on behalf of Robert Wood Johnson University Hospital – New Brunswick. Dr. Kazmir made a motion to approve the adoption of the Series Resolution. Mr. Lovell seconded. Mr. O'Neill, Ms. Kralik, Mr. Lovell, Ms. Rodriguez and Dr. Kazmir voted yes, Ms. Charters abstained, and the motion carried.

AB RESOLUTION NO. NN-07

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Series Resolution entitled, "A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, ROBERT WOOD JOHNSON UNIVERSITY HOSPITAL ISSUE, SERIES 2013A"

(attached)

Ms. Charters asked the Members' pleasure with respect to the adoption of the Bond Resolution on behalf of Robert Wood Johnson University Hospital – New Brunswick. Dr. Kazmir made a motion to approve the adoption of the Bond Resolution. Mr. O'Neill seconded. Mr. Lovell seconded. Mr. O'Neill, Ms. Kralik, Mr. Lovell, Ms. Rodriguez and Dr. Kazmir voted yes, Ms. Charters abstained, and the motion carried.

AB RESOLUTION NO. NN-08

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Series Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, ROBERT WOOD JOHNSON UNIVERSITY HOSPITAL ISSUE, SERIES 2013B"

(attached)

Ms. Swenarton thanked the Board and Staff. Mr. Reilly also thanked the Board. He added that Robert Wood Johnson University Hospital had listened to its patients. They said the hospital needed more parking, and referred to the current parking as anemic. As a result, the hospital is addressing the parking. Also, 60% or more of the patients come through the Emergency Department. When the hospital solicited feedback from patients through questionnaires, they noted the Emergency Department was another area of concern. These projects are the next level that the hospital will bring its campus to, and the hospital thanks the Authority.

b. <u>Robert Wood Johnson University Hospital at Hamilton</u>

Ms. Charters noted that the TEFRA Hearing would continue with the presentation for Robert Wood Johnson University Hospital at Hamilton.

Mr. Bill McLaughlin introduced Skip Cimino, President & CEO and Fred Jacobs, Senior Vice President and General Counsel from Robert Wood Johnson University Hospital at Hamilton.

Mr. McLaughlin informed Members that he would be requesting approval of a contingent sale of bonds on behalf of the Robert Wood Johnson University Hospital at Hamilton Obligated Group.

He stated that RWJ Hamilton is a not-for-profit community acute care facility located in Hamilton Township, Mercer County, New Jersey. The hospital provides a full range of comprehensive services including medical, surgical, women's health, maternal-child care, emergency services, neurology, occupational and corporate health, radiology, rehabilitation and, through an affiliation with the Cancer Institute of New Jersey in New Brunswick, cancer care.

During March 1994, RWJ Health Care Corp. ("RWJHCC") became the sole member of the parent corporation of the hospital, RWJ Health Care Corp. at Hamilton, and is also the sole member of the Robert Wood Johnson University Hospital New Brunswick. Under the terms of their agreement, the hospital maintains its board and continues to exercise local control, but requires RWJHCC authorization for key decisions including approval of annual budgets, entering into borrowing arrangements and strategic planning.

Mr. McLaughlin then stated that the proposed transaction will be an approximately $28 million tax-exempt private placement with Siemens Public, Inc. The Series 2013 Bonds will be used to currently refund all of its Series 2005A Revenue and Refunding Bonds; to advance refund a portion of the Series 2005B Revenue Bonds; to fund the termination payment for a Forward Delivery Purchase Agreement; fund a debt service reserve fund and to pay the related costs of issuance.

The Series 2013 Bonds are multi-modal and will be initially issued in the Direct Purchase Rate Mode, which is a fixed rate that will be determined prior to closing. Siemens Public must consent to any change in the interest rate mode. The Series 2013 Bonds are subject to mandatory tender for purchase on July 1, 2025.

Mr. McLaughlin then introduced Bernard Davis of Wolff & Samson PC, bond counsel, to outline the Resolution.

Bond Resolution

Mr. Davis informed Members that the Bond Resolution authorizes the issuance of the tax-exempt Series 2013 Bonds in an aggregate principal amount not in excess of $28.5 million. The Bond Resolution provides that the Series 2013 Bonds shall have a final maturity date of no later than July 1, 2028. The Bond Resolution also provides that the Series 2013 Bonds shall initially bear interest at the Direct Purchase Rate and that from the date of their issuance until the earlier of the day prior to either the (1) Conversion to different Interest Rate Mode; (2) Initial Mandatory Purchase Date; or (3) Final Maturity, the Direct Purchase Rate shall not exceed 5.50% per annum. Thereafter, the Series 2013 Bonds shall bear interest at the Direct Purchase Rate or, if converted to another interest rate mode, at the applicable interest rate, all as shall be determined in accordance with the applicable Trust Agreement; provided, however, that in no event shall the interest rate on any Series 2013 Bonds exceed 12.00% per annum. The Series 2013 Bonds will be subject to redemption prior to maturity as set forth therein, provided that the redemption price cannot be greater than 105%. The Series 2013 Bonds will be secured by payments made by the Obligated Group, under the Loan Agreement with the Authority. The obligations under the Loan Agreement with the Authority will be evidenced and secured by a Note issued by the Obligated Group pursuant to the provisions of a Master Trust Indenture and by amounts on deposit in certain funds held by the Trustee pursuant to the Trust Agreement. The Note to be issued pursuant to the Master Trust Agreement will be secured by a gross receipts pledge of the Obligated Group and a mortgage on certain hospital property. The Bond Resolution also approves the form of, and authorizes the execution of, a Direct Bond Purchase Contract with Siemens Public, Inc., and/or an affiliate, for the purchase of the Series 2013 Bonds. The Direct Bond Purchase Contract must be executed prior to the 8:00 p.m. New York time on October 23, 2013. No disclosure document is being prepared in connection with the issuance of the Series 2013 Bonds and, as a result, the Bond Resolution also requires the purchaser of the Series 2013 Bonds to provide the Authority with a travelling investor letter on or prior to the date of closing.

Additionally, the Bond Resolution approves the form of, and authorizes the execution and delivery of, an Escrow Deposit Agreement, a Trust Agreement, and a Loan Agreement. Further, the Bond Resolution appoints TD Bank, N.A. as Trustee and Bond Registrar for the Series 2013 Bonds. In addition, the Bond Resolution also authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Trust Agreement, the Loan Agreement, Escrow

Deposit Agreement and the Direct Bond Purchase Contract, the completion of the refunding and the issuance and sale of the Series 2013 Bonds.

Ms. Charters asked if there were any questions or comments from the public. Hearing none, Ms. Charters asked the Members' pleasure with respect to the adoption of the Bond Resolution on behalf of Robert Wood Johnson University Hospital at Hamilton. Dr. Kazmir made a motion to approve the adoption of the Bond Resolution. Mr. O'Neill seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-09

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Bond Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE REFUNDING BONDS, RWJ HEALTH CARE CORP. AT HAMILTON OBLIGATED GROUP ISSUE, SERIES 2013."

(attached)

Mr. Cimino thanked the Board and Staff and noted that Staff is extremely efficient and does a very nice job. He acknowledged all of the professionals the hospital had worked with and noted that the process moved along with a great deal of alacrity. He stated that the residents in the hospital's community would benefit from the actions of the Board today.

Ms. Charters then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended.

3. NEGOTIATED SALE REQUESTS & INFORMATIONAL PRESENTATIONS

a. Shore Medical Center

Mr. Mark Hopkins informed Members that his presentation would serve as both a request for a negotiated sale, in the form of a private placement, and well as an informational presentation of the proposed transaction. He then introduced Jim Foley, Senior Vice President of Finance and Chief Financial Officer from Shore Medical Center.

Mr. Hopkins informed the Members that Shore has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt private placement of approximately $18 million, the proceeds of which will be used to refund the 2003 bonds issued by the Authority on behalf of Shore and pay the related costs of issuance. Specifically, Shore plans to refund its $14 million term bond, due on July 1, 2023, and its $6.9 million term bond due on July 1, 2023. The sum of the bonds being refunded is $19.4 million.

Shore Medical Center is a not-for-profit 501(c)(3), 293-bed, acute care hospital located in Somers Point, New Jersey. The hospital provides health care services to the year-round and summer residents of Atlantic and Cape May counties. The hospital is part of a larger continuum of care that includes its parent, Shore Memorial Health Care System, Shore Memorial Health Foundation, Inc., Shore Health Services Corporation (a former nursing home), Shore Health Enterprises and Shore Memorial Properties.

Shore has issued debt through the Authority in 2003, 2009, 2010 and 2011, of which $78.7 million remains outstanding. The 2003 bonds, which are being refunded, are insured by Radian Asset Assurance Inc. and currently carry a rating of “B” from S&P and “Caa2” from Moody’s. The 2009, 2010 and 2011 bonds are unenhanced and unrated. Shore does not maintain an underlying bond rating.

A review of the financial information provided to Members indicates that Shore had a net operating gain of $5.3 million for 2011 and a net operating loss of $7.8 million for 2012. Management attributes the operating loss in 2012 to the consolidation of both Shore Physicians Group and Shore Memorial Health Foundation, which cost the hospital $5.6 million, and to the adjustment of accounts receivable for certain payers, resulting in a $2.2 million loss from operations. This adjustment to accounts receivable recognized changes in payment methodology by Workers Compensation and No Fault Insurers.

For the year-end 2012, Shore had 86 days cash on hand, a negative 2.21% profit margin, a negative 3.64% operating margin, and a debt service coverage ratio of 1.96 times. Shore is improving in 2013, as unaudited financial statements illustrate that it has a stand-alone operating margin of 1.8% and operating income of $1.9 million at the end of the first half. The Physician Group is now emerging from its start-up period and is proving to be less of a hindrance on system operations.

Shore has asked that the Authority permit the use of a negotiated offering based on the sale of 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. Shore has conducted a financial analysis to determine whether to proceed with a private placement or a public offering. Based upon its analysis, a private placement would reduce costs of issuance; expedite the issuance of the refunding bonds to capture the current favorable interest rate market; and generate significant annual savings compared to the refunded bonds in contrast to the issuance of unrated publicly offered bonds, which would provide little or no savings over the refunded bonds. The hospital has selected Citizens Bank of Pennsylvania as the purchaser for this transaction. It is anticipated that the refunding issue will generate significant savings.

Finally, Shore conducted an RFP process for bond counsel and recommended Wilentz, Goldman and Spitzer to serve in this position. The Attorney General’s office has approved the appointment.

It is anticipated that Staff will be requesting Board approval of a contingent sale of bonds at the August Authority Meeting.

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

AB RESOLUTION NO. NN-10

> **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)

b. Virtua Health

Mr. Mark Hopkins stated that his presentation would serve as both a request for a negotiated sale and an informational presentation. He introduced Gerry Lowe, Vice President for Finance and Robert Osler, Treasury Director, from Virtua Health.

Mr. Hopkins informed Members that Virtua Health, Inc. has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $138 million, the proceeds of which will be used to currently refund the remaining portion of the Authority issued Series 1998 bonds; currently refund a portion of the Authority issued Series 2009A bonds; and pay the related costs of issuance.

Virtua is a New Jersey not-for-profit organization which operates two hospital groups, Virtua-Memorial Hospital of Burlington County and Virtua-West Jersey Health System. Memorial is a 383 licensed-bed facility located in Mount Holly and West Jersey is a 592 licensed-bed system that operates three general acute care hospitals in Berlin, Marlton and Voorhees.

Outstanding Authority issued obligations for Virtua include: Series 1998 fixed-rate Revenue Bonds; Variable Rate Composite Program Series 2003 A-7; Series 2004 Variable Rate Revenue Bonds; Series 2009A fixed rate Revenue Bonds; Series 2009B Variable Rate Revenue Bonds; Series 2009C Variable Rate Revenue Bonds; Series 2009D Variable Rate Revenue Bonds; Series 2009E Variable Rate Revenue Bonds; and Series 2011 Revenue and Refunding Bonds. The total outstanding Authority debt issued on behalf of Virtua is approximately $671.8 million.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, Virtua generated an excess of revenues over expenses of approximately $152.8 million in 2012 and $80.3 million in 2011. A non-operating gain of $72.7 million is the primary reason for the increase in 2012. Virtua is currently rated "A" by S&P and "A+" by Fitch. Based on audited numbers for year-end 2012, Virtua has 277.82 days cash on hand, an operating margin of 7.12% and debt service coverage of 6.10 times. Unaudited financial statements from first quarter of 2013 indicate improvements in operating revenue as well as income from operations over the same period of 2012.

Virtua has asked that the Authority permit the use of a negotiated sale based on the sale of bonds for a large issue size 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, therefore, Mr. Hopkins recommended the consideration of the resolution, provided to Members, approving the use of a negotiated sale and the forwarding a copy of the justification in support of said resolution to the State Treasurer.

Virtua has indicated that it has completed a competitive process to name an underwriter and wishes to utilize the services of Morgan Stanley as the senior managing underwriter for the bonds. Amongst the criteria used in making this selection were: the experience working with Virtua, fee structure and firm qualifications.

In response to a question from Ms. Charters regarding the organizational structure, Mr. Lowe stated that Virtua Health, Inc. is the parent organization with twelve subsidiary organizations, including the two hospital organizations, nursing homes, home health agency and physician group and a foundation. Ms. Charters asked specifically about where Virtua Retail would fall on the organizational chart, and Mr. Lowe stated that it be fall under Community Nursing Services, which owns 100% of Virtua Retail.

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

AB RESOLUTION NO. NN-11

> **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)

4. ADOPTION OF WRITTEN POST ISSUANCE COMPLIANCE PROCEDURES
Greystone Park Psychiatric Hospital & Marlboro Psychiatric Hospital

Ms. Suzanne Walton informed the Members that in April of this year, the Authority issued, on a tax-exempt basis, Lease Revenue Bonds on behalf of the Department of Human Services for two project financings: the Greystone Park Psychiatric Hospital Project, Series 2013, comprised of two series of bonds, and the Marlboro Psychiatric Hospital Project, Series 2013. Proceeds from the Greystone Bonds were used to finance the completion of the demolition and remediation of the psychiatric facilities formerly used by Greystone Park Psychiatric and to refund and defease Greystone's outstanding Series 2003 and 2005 Bonds. Proceeds from the Marlboro Bonds were used to finance the costs of the demolition and remediation of the existing facilities at, or related to, Marlboro Psychiatric Hospital and the construction of group housing.

Under federal tax rules, upon the issuance of the bonds, the issuer and the borrower, in this case the Department of Human Services, have a significant number of post-issuance obligations with regard to monitoring a bond issue for compliance with federal tax rules in order to maintain the tax-exempt status on the bonds.

The Authority wishes to develop written procedures for post issuance tax compliance in connection with the bonds and any future bonds that may be issued by the Authority to preserve the tax-exempt status of the bonds and any refunding bonds by establishing procedures for: (1) identifying uses that may constitute private use; (2) managing and tracking changes in use, (3) accomplishing remedial action when necessary; and (4) ensuring compliance with the arbitrage requirements of the Internal Revenue Code of 1986, as amended.

Therefore, Staff requested the Board's adoption of a resolution which authorizes the adoption of post issuance tax compliance procedures and authorizes the Executive Director or Deputy Executive Director, as authorized officers, to develop and amend from time to time, in consultation with bond counsel for the bonds and the State Attorney General, the procedures. The procedures shall be substantially in the form of "Exhibit A," attached to the Resolution, with such changes, additions or omissions as the Authorized Officer, in consultation with bond counsel and the State Attorney General's Office, determines is necessary or appropriate. The resolution also allows an Authorized Officer to appoint a Tax Compliance Officer who shall have primary responsibility to monitor and carry out these procedures.

Ms. Charters asked if the resolution was specific to Greystone or if it would be a practice moving forward. Mr. Hopkins explained that the IRS requirement is relatively recent as a result of borrowers and issuers not tracking the use of bond proceeds. The Authority does have procedures in place and up until this point, has passed the duty on to the borrowers. However, with Greystone and Marlboro, since the borrower is a State entity, the Authority will take on the duties jointly with the Department of Human Services. Mr. Hopkins added that for future items, the Authority would discuss taking on a more active role with non-government borrowers. Those discussions would occur at an upcoming Board Retreat. It was confirmed that the resolution and the action taken by the Board would be specific to Greystone and not other borrowers.

In response to a question from Ms. Kralik regarding reporting to the Board, Mr. Hopkins noted that there would only be reporting if there is an issue discovered by the Tax Compliance Officer and added that the Authority's Compliance Manager, Taryn Jauss, would be taking on the duties of Tax Compliance Officer.

It was confirmed that the compliance procedures are typically up to the borrower, but these were special circumstances. Mr. O'Neill asked if the compliance was already part of the 990s that borrowers fill out every year. Mr. Hopkins responded that while borrowers do have to check off that they are in compliance annually, the IRS wanted more detailed procedures to ensure that the borrowers are thinking fully about compliance on a more regular basis. Previously, borrowers may have checked on their 990 that they were in compliance without even realizing where some bond proceeds went. But the IRS is requiring they have internal procedures set up to be more aware and recognize when they might not be in compliance.

Dr. Kazmir offered a motion to adopt the resolution in regards to post issuance tax compliance procedures; Mr. O'Neill seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-12

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby adopts the resolution entitled "RESOLUTION AUTHORIZING ADOPTION OF POST ISSUANCE TAX COMPLIANCE PROCEDURES, DESIGNATION OF A TAX COMPLIANCE OFFICER AND OTHER MATTERS WITH RESPECT TO THE AUTHORITY'S DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013A, DEPARTMENT OF HUMAN SERVICES LEASE REVENUE REFUNDING BONDS (GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013B, AND DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (MARLBORO PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013."

(attached)

5. 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; Mr. Lovell seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-13

> **WHEREAS,** the members of the Authority have reviewed the memoranda dated July 17, 2013, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$2,520.27 and \$49,439.43 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.

6. STAFF REPORTS

Ms. Charters thanked Staff for the Project Development Summary, Cash Flow Statement, Semi-Annual Budget Report and Legislative Advisory reports.

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

1. Hospital & Other News

a. The Department of Health has released its annual Hospital Report Card showing continued improvement by hospitals in New Jersey in providing proper treatment for ten enumerated illnesses, safety measures and infection prevention. New Jersey hospitals outperformed national average in seven out of ten of the categories, placing the state in the top 25% of states nationally.

b. On June 28, Governor Christie signed the State's fiscal year 2014 budget into law. The budget includes provisions for Medicaid expansion under the Affordable Care Act and the continuation of Charity Care funding to hospitals at fiscal year 2013 levels.

c. $30 million in state fiscal year 2013 Stabilization Grants to hospitals were announced at the end of June. The grants were awarded as follows: (i) Deborah Heart and Lung Center, $2.6 Million; (ii) East Orange Medical Center, $4 million; (iii) Kimball Medical Center, $1.5 million; (iv) Raritan Bay Medical Center, $4 million; (v) St. Clare's Health System, $8 million; (vi) St. Mary's Hospital, $5 million and (vii) University Hospital, $4.9 million.

d. Assured Guaranty has created a municipal-only bond insurer named Municipal Assurance Corp. It received a rating of AA- from S&P and AA+, from the relatively new Kroll Bond Rating Agency. Its parent, Assured Guaranty, was the only bond insurer to survive the financial crisis with an investment grade rating. Currently, the only other investment grade bond insurer is Build America Mutual with an S&P rating of AA. BAM is a mutual municipal bond insurer sponsored by the National League of Cities, and was created in July of 2012. MBIA is expected to reenter the market soon with a municipal-only bond insurer called National Public Finance Guarantee Corp.

e. United States banking regulators have adopted two rules revising risk-based and leverage capital requirements adopted as part of the Basel III Accord. The first requires the largest banks to account for any credit or interest-rate related price drops of their investments in their available-for-sale portfolios, including in municipal bonds. The second places a 50% risk-weighting on revenue bonds, compared to the 20% risk weighting for general obligation bonds. Both of these rules are expected to slow investments by banks in municipal bonds.

f. One hundred thirty-seven members of the House of Representatives signed a petition to House leadership to reject proposals to eliminate or cap the tax exemption on municipal bonds. The President has proposed a 28% cap on municipal bonds and several legislators are considering their own proposals for eliminating tax-exemption for municipal bonds or capping it.

g. Representative Jim McDermott of Washington has asked the IRS to update the safe harbor provisions for tax-exempt health care bonds. He believes the current safe harbor provisions for private use of tax-exempt health care facilities in Revenue Procedure 97-13 would prohibit a tax-exempt financed health care facility from participating in an Accountable Care

Organization, an entity comprised of several health care providers that is contemplated by the Affordable Care Act to coordinate care, improve quality and reduce costs.

h. The MSRB has launched a new service for state and local issuers to schedule automated e-mails reminding them to file quarterly and annual disclosures to help keep them in compliance with their disclosure obligations under Rule 15c2-12.

i. Hackensack University Medical Center was named the top hospital in New Jersey by U.S. News & World Report for the second year in a row. It ranked third in the New York Metropolitan area.

j. The State Health Planning Board conducted a public meeting in Pequannock on July 16 to receive comments about the proposed merger of Chilton Hospital with Atlantic Health System. The State Health Planning Board is expected to consider the Certificate of Need application to merge at its August meeting. It will then make a recommendation to the Commissioner of Health who has 120 days to approve or deny the Certificate of Need. If approved, Atlantic Health System would consist of Chilton, Morristown Medical Center, Newton Medical Center and Overlook Medical Center.

k. Ocean Medical Center recently announced an $82 million expansion of its emergency room. Its current emergency room is designed to handle between 17,000 and 20,000 patients a year, but Ocean saw 55,000 patients in its ER last year.

l. The newly formed board of University Hospital appointed James Gonzalez as the President and CEO. University Hospital became an independent instrumentality of the State on July 1. Mr. Gonzalez has been University Hospital's interim President since July 2011.

m. Kennedy Health System has announced that Martin Bieber will be retiring as CEO of the system effective in October after four years as CEO and eight with the system. Joseph Devine has been named to replace him as CEO. Mr. Devine has been with Kennedy since 1986, serving in several senior executive positions including Vice President of Hospital Operations.

n. The plans for the Statewide Health Information Network have been announced. The network will connect the four regional health information exchanges, which were partially funded by the federal health information technology grant the Authority is administering for the State. Individual health care providers and organizations will connect to the Statewide Health Information Network through the regional health information exchanges.

o. The federal health insurance marketplace is online. The marketplace is designed to allow those who live in New Jersey, and other states that did not create their own online health insurance marketplace, to purchase health insurance that complies with the federal mandate. Those who are not otherwise covered by health insurance and do not purchase eligible health insurance will be penalized $95 on their 2014 federal tax return. Penalties will increase each year until they reach the maximum of $695. Those under 133% of the federal poverty line are eligible for Medicaid under Medicaid expansion in states, like New Jersey, who have adopted it. Those between 133% and 400% of the federal poverty line are eligible for subsidies to purchase health insurance, which the federal health insurance marketplace will help them navigate. Enrollment begins in October with policies taking effect in January 2014. The mandate for small to mid-size companies to insure their employees has been delayed by one year.

p. Hunterdon Healthcare Partners, a physician hospital organization, has announced separate Accountable Care Organization programs with Cigna and Horizon Blue Cross Blue Shield. The ACOs are designed to lower costs and improve health outcomes of patients.

q. As an example of how Accountable Care Organizations are hoped to work under the Affordable Care Act, Montefiore Medical Center in New York saved Medicare $23 million in its first year of operation under Medicare's Pioneer ACO program which tested the concept on 32 health systems nationwide. Montefiore will get $14 million from Medicare's savings which will be shared among the hospital and participating physicians.

r. The following ratings actions were taken in the last month:

(i) Fitch affirmed the A+ rating on the bonds issued by the Authority on behalf of Virtua Health, Inc., with an outlook of stable.

(ii) Moody's affirmed the Baa3 rating for Cooper Health System bonds being issued by the Camden County Improvement Authority and upgraded its outlook from stable to positive.

(iii) Moody's affirmed the A3 rating for bonds issued by the Authority on behalf of Kennedy Health System. Its outlook remains stable.

(iv) S&P has raised the rating on bonds issued by the Authority on behalf of Atlantic Health System from A to A+, citing its expansion, solid operating performance and cash flow.

s. Authority Staff has determined that it would be best to hold the Authority retreat in the late winter of 2014. However, there are two valuable opportunities this fall for Authority Members and Staff to learn more about health care financing developments. The National Association of Healthcare and Education Facilities Finance Authorities will be holding its semiannual conference in Philadelphia October 7 through 9. The Bond Buyer will be holding its annual Heathcare & Higher Education Super Conference in New York City from October 27 through 29. The agendas have not been finalized yet and Mr. Hopkins will forward them to Authority Members when they become available.

t. Finally, Mr. Hopkins provided Members with an article on the trend of hospitals buying physician practices to better prepare for the payment incentives provided by the Affordable Care Act.

7. 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. 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. Mr. Lovell seconded. 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. NN-14

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,

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.

As there was no further business to be addressed, following a motion by Dr. Kazmir and a second by Ms. Kralik, the Members voted unanimously to adjourn the meeting at 10:59 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 JULY 25, 2013.

____

Carole A. Conover, Assistant Secretary