

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on February 26, 2015 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Brian O'Neill, Designee of the Commissioner of Health (Chairing); Greg Lovell, Designee of the Commissioner of Human Services; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Dr. Munir Kazmir, Public Member; and via telephone: Elisa Charters, Vice Chair, Public Member and Suzette Rodriguez, Public Member

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

Mark Hopkins, Steve Fillebrown, Suzanne Walton, Ron Marmelstein, Michael Ittleson, Frank Troy, Jessica Lucas, Debra Coons, Edwin Fuentes, Bill McLaughlin, Marji McAvoy, Ellen Lieber, Bernie Miller and Chris Kniesler.

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

Cliff Rones, Attorney General's Office; Joseph Dobosh, Vice President and CFO and Gordon Smith, Director of Cost and Financial Strategies, Children's Specialized Hospital; John Kelly, Wilentz, Goldman and Spitzer; Jan Blazewski, Raymond James; Scott Kobler, McCarter English; and, Vijar Kohli, VM Global.

CALL TO ORDER

Executive Director Mark Hopkins called the meeting to order at 10:18 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 22, 2014 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.

1. APPROVAL OF MINUTES

A. January 22, 2015 Authority Meeting

Minutes for the Authority's January 22, 2015 Authority meeting were distributed for review and approval prior to the meeting. Mr. O'Neill asked for a motion to approve the minutes. Dr. Kazmir made the motion. Mr. Lovell seconded. Members Charters, O'Neill, Kralik, Lovell and Kazmir voted in the affirmative. Ms. Rodriguez abstained. The motion carried.

2. APPROVAL CONTINGENT BOND SALE FOR CHILDREN'S SPECIALIZED HOSPITAL

A. Children's Specialized Hospital

Mr. O'Neill introduced Joseph Dobosh, Vice President and Chief Financial Officer and Gordon Smith, Director of Cost & Financial Strategies from Children's Specialized Hospital and then asked Bill McLaughlin to report on the request made by Children's Specialized Hospital.

Mr. McLaughlin began by informing the Members that they are being asked to approve a contingent sale of bonds on behalf of the Children's Specialized Hospital ("CSH"). Proceeds of the proposed Series 2015A Bonds will be used to effectuate the current refunding and redemption of all outstanding Children's Specialized Hospital Fixed Rate Revenue Bonds, Series 2005A bonds; and the payment of certain costs incidental to the issuance and sale of the Series 2015A Bonds.

Mr. McLaughlin stated that the Series 2015A bonds will be privately placed with Siemens Public, Inc. and will be secured by a gross receipts pledge from CSH, a mortgage on certain CSH property and by a guaranty from CSH's Foundation. The Bonds will be structured as a fixed-rate obligation. The final rate will be derived two business days prior to closing by adjusting the initial offered fixed rate of 2.85% by sixty-five percent of one basis point for every one basis point change, positive or negative, to the Ten-Year Interest Rate Swaps Rate.

Mr. McLaughlin said that the amortization schedule for the Series 2015A bonds is expected to mirror that of the outstanding Series 2005A bonds. A preliminary refunding analysis of the proposed private placement indicates present value savings of approximately 27.7% or \$8.15 million of the refunded bonds.

According to Mr. McLaughlin, no disclosure document is being prepared in connection with this transaction and, as a result, Siemens Public, Inc. has agreed to provide the Authority with an executed Travelling Investor Letter on the date of closing.

Mr. McLaughlin further stated that, under the terms of the Amended and Restated Foundation Guaranty Agreement, TD Bank National Association, as Purchaser of the Series 2013 bonds, must provide written consent to any modification of the transaction documents pertaining to either the Series 2005A or Series 2013 bonds. Staff has received conditional approval from TD Bank which allows us to progress toward closing this transaction. The final written approval of TD Bank will be evidenced by its execution of the Second Amended and Restated Foundation Guaranty Agreement or another written instrument acceptable to Authorized Officers of this Authority.

Mr. McLaughlin stated that John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel would present the Bond Resolution pertaining to this transaction. He also informed the Members that he, Mr. Dobosh or Mr. Smith would address any questions or concerns the Members may have.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel, stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2015A Bonds in an aggregate principal amount not in excess of \$28 million. The Bond Resolution provides that the Series 2015A Bonds shall have a final maturity date of no later than July 1, 2036. The Bond Resolution also provides that the Series 2015A Bonds shall bear interest at a true interest cost not to exceed 3.50% per annum. The Series 2015A 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 2015A Bonds will be secured by payments made by CSH, under the Loan and Trust Agreement by and among CSH, the Authority and TD Bank National Association, as Trustee, as amended and supplemented by the Series 2015A Supplemental Loan and Trust Agreement.

The obligations of CSH under the Supplemental Loan and Trust Agreement will be secured by the gross receipts pledge of CSH, a mortgage on certain CSH property and by the Second Amended and Restated Foundation Guaranty Agreement. The Bond Resolution also approves the form of and authorizes the execution of a Direct Bond Purchase Agreement with Siemens Public, Inc. for the purchase of the Series 2015A Bonds. The Direct Bond Purchase Agreement must be executed prior to 5:00 p.m. (local New Jersey prevailing time) on May 27, 2015. No disclosure document is being prepared in connection with the issuance of the Series 2015A Bonds and, as a result, the Bond Resolution also requires the purchaser of the Series 2015A 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 (i) the Series 2015A Supplemental Loan and Trust Agreement and (ii) the Second Amended and Restated Foundation Guaranty Agreement. Further, the Bond Resolution appoints TD Bank National Association as Trustee for the Series 2015A 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 Series 2015A Supplemental Loan and Trust Agreement, the Second Amended and Restated Foundation Guaranty Agreement and the Direct Bond Purchase Agreement, the completion of the refunding and the issuance and sale of the Series 2015A Bonds.

Mr. O'Neill asked the Members' pleasure with respect to the adoption of the Bond Resolution on behalf of Children's Specialized Hospital. Dr. Kazmir made a motion to approve the adoption of the Bond Resolution on behalf of Children's Specialized Hospital. Ms. Rodriguez seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. OO-47

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 REFUNDING BONDS, CHILDREN’S SPECIALIZED HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2015A.”

Mr. Dobosh thanked the Authority for their approval and expressed his gratitude to Bill McLaughlin and the team for guiding them through the process.

3. APPROVAL OF EXPENSES

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

AB RESOLUTION NO. OO-48

WHEREAS, the Members of the Authority have reviewed the memoranda dated February 18, 2015 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$76,859.50 and \$21,116.30 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.

4. STAFF REPORTS

Mr. O’Neill thanked Staff for the Project Development Summary, Cash Flow Statement, and Legislative Advisory reports.

Mr. O'Neill asked Executive Director Hopkins to present his Executive Director's report.

Mr. Hopkins stated that his report would be brief due to his Strategic Planning presentation. He asked the members to read the large volume of articles provided in their packets. Mr. Hopkins said that there were a number of articles pertaining to the new and proposed securities regulations. In addition, there are articles on the overall state of the health care industry as well as articles specifically pertaining to our area hospitals.

Mr. Hopkins announced that the Audit Committee will meet on March 10, 2015 at 10:00 am at the Authority headquarters. Notices will be going out tomorrow. The auditors will be present to provide the Committee Members with their findings.

Mr. Hopkins announced that Gene Sullens, the Authority's Network Administrator will be retiring on May 1 of this year after 15 years of service.

Mr. Hopkins then informed the Members that Suzanne Walton, Director of Project Management will also be retiring after 29 years of service on the May 1.

The members congratulated Ms. Walton and wished her well.

Mr. Hopkins informed the members that after consulting with DAG Ronces he would be presenting the portions of the Strategic Plan presentation that did not pertain to personnel matters during the Public Session. Mr. Hopkins also stated that reason for the presentation was to start outlining how the Authority will function under the changing health care environment, the potential reduction or limitation on tax-free bonds and the reduction in the number of not-for-profit hospitals. He said that the presentation consisted of three (3) parts: the proposed new programs; reorganization of personnel; and, how the two will affect the ongoing operation of the Authority.

Ms. Charters asked if this was an internal initiative or directed by an outside source. Mr. Hopkins stated these discussions had begun internally, but that the Commissioner of Health has also requested a strategic plan from all of the directors in her department.

Mr. Hopkins presented the outline of the proposed new programs and the anticipated revenue projections. He then recommended that the Authority meet in Executive Session as he presented his proposed staffing reorganization plan.

Mr. O'Neill asked for a motion to meet in Executive Session to discuss:

1. Presentation of Authority's Proposed Strategic Plan – Personnel and Contractual Negotiations

Dr. Kazmir offered a motion to meet in Executive Session. Mr. O'Neill seconded the motion. The vote was unanimous and the motion carried. Mr. O'Neill noted that the results of this discussion will be made public when the need for confidentiality no longer exists.

Mr. Rones stated for the record that the Authority was meeting in Executive Session to discuss personnel matters.

AB RESOLUTION NO. OO- 49

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public Meetings Act and the Authority's By-laws, the Authority meet in Executive Session to discuss personnel matters.

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

It should be noted that Ms. Charters left the meeting near the end of the Executive Session and Ms. Rodriguez left at the conclusion of the Executive Session.

When the Public Session resumed, Mr. Hopkins summed up the Strategic Plan by reiterating the importance of the new programs and their impact to the Authority's mission and future budgets. Dr. Kazmir asked whether the Authority was monitoring the actions of the US Congress regarding tax-free bonds. Mr. Hopkins replied that the Authority receives regular updates as part of an association membership. Mr. Lovell asked if any consideration has been given to financing schools. Mr. Hopkins reminded him that the state has the Educational Facilities Authority for that. Ms. Kralik asked if any of the initiatives could begin immediately. Mr. Hopkins replied that some are pending legislative approval while others simply require the Commissioner's approval.

As there was no further business, following a motion by Dr. Kazmir and a second by Mr. Lovell, the Members voted unanimously to adjourn the meeting at 11: 57 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 26, 2015.

Stephen M. Fillebrown, Assistant Secretary