

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on December 14, 2006 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

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

Gus Escher, Public Member (Chairing the meeting as Vice Chair); Moshe Cohen, Public Member; Thom Jackson, Public Member; Edward Tetelman, Designee of the Commissioner of Health and Senior Services; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; and Eileen Stokley, Designee of the Commissioner of Human Services.

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

Mark Hopkins, Dennis Hancock, Jim Van Wart, Michael Ittleson, Suzanne Walton, Susan Tonry, Marji McAvoy, Bill McLaughlin, Lou George, Carole Conover, and Stephanie Bilovsky.

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

Kay Fern, Evergreen Financial; Brian O'Neill, Somerset Medical Center; Jim Fearon, GluckWalrath; Bob Iannacone, Wayne Ziemann, St. Mary's Hospital at Passaic; Maryann Kicenuik, Windels, Marx, Lane & Mittendorf; Ray Perez, Liza Wolf, Cozen O'Connor; David Stephan, UBS Securities; Christopher Langhart, Erica Lerner, McManimon & Scotland; Thomas Papa, Treasury; and, Clifford T. Rones, Deputy Attorney General.

CALL TO ORDER

Vice Chairman Gus Escher called the meeting to order at 10:03 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 25, 2006 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

APPROVAL OF MINUTES

A. November 16, 2006 Special Authority Meeting

The minutes for the Authority's November 16, 2006 special meeting were distributed for review and approval. Mr. Jackson offered a motion to approve the minutes; Dr. Cohen seconded. Mr. Escher voted yes, Dr. Cohen voted yes, Mr. Jackson voted yes, Ms. Kralik voted yes, and Ms. Stokley voted yes. The motion carried and the minutes were approved.

B. November 21, 2006 Authority Meeting

The minutes for the Authority's November 21, 2006 meeting were also distributed for review and approval. Dr. Cohen offered a motion to approve the minutes; Mr. Jackson

seconded. Mr. Escher voted yes, Dr. Cohen voted yes, Mr. Jackson voted yes, Ms. Kralik voted yes, and Ms. Stokley voted yes. The motion carried and the minutes were approved.

BOND SALE REPORTS

Mr. Hancock reported to the Members that on November 21st, staff worked with PNC Capital Markets to set the first rates on the six series of bonds issued under the Authority's Variable Rate Composite Program ("COMP") on behalf of AtlantiCare Regional Medical Center, East Orange General Hospital, Meridian Nursing and Rehabilitation, MHAC I, and FitnessFirst. The bonds totaled \$82,870,000 and individually ranged from \$5.1 million to \$25 million. The six series used four different letter of credit providers and, as a result, there were two different interest rates based on the providers' respective credit ratings. The initial rates were 3.55% and 3.60%. These issues were closed on November 22nd.

Mr. Hancock also reported that, in the week prior to this meeting, staff began pricing the five series of bonds that were approved at the November Authority meeting on behalf of CentraState Medical Center, St. Barnabas Health Care System and Hunterdon Medical Center.

The first issue priced was the \$41,575,000 fixed rate series for CentraState. On December 5th, the managers suggested a scale and structure to be used for the order period. In the current market, premium bonds are preferred by investors, giving them some protection against rising interest rates. However, the market has seen significant issuance over the last few weeks and in order to attract as many purchasers as possible, the underwriter and Authority agreed that certain maturities should be offered with par or discount bonds.

After a lackluster order period wherein there were basically no orders for the \$5 million of serial bonds and limited orders for two of the term bonds, the underwriters made an offer to underwrite the issue after proposing some adjustments to the scale. The offer was accepted, resulting in yields that ranged from 3.6% in 2009 to 4.5% in 2037. The all-in true interest cost for the bonds is 4.74%. Mr. Hancock noted that this pricing shows the flatness of the yield curve with only a 90 basis point spread over the 28 years of maturities. In addition, the interest rates on the COMP financing for 7-day paper when compared to the rate on the 2009 maturity shows the steepness of the yield curve.

On December 7th, the pricing for St. Barnabas Health Care System's two series of bonds was completed. The Series A bonds, amounting to \$72,120,000, were issued as current interest bonds with maturities in 2007 and 2029. The Series B bonds in the amount of \$124,999,653.65 were structured as Capital Appreciation Bonds and had maturities from 2030 through 2038. These maturity structures will help St. Barnabas level out its annual debt service payments across all outstanding debt.

The management group suggested interest rate levels based on similar recently marketed financings and, in contrast to the CentraState issue, there was a sufficient enough order flow for the senior manager to purchase the bonds with some interest rates lower than had been initially marketed. The Series A 2007 maturity carried a yield of 3.75% and the 2029 maturity was finalized at a yield of 4.45%. The Series B bonds had yields ranging from 5.05% to 5.13% for the 2030 through 2038 maturities. The all-in true interest cost is 5.095%. Mr. Hancock noted that St. Barnabas' Tom Scott made a point to call him after the pricing to ask that he express St. Barnabas' thanks to the Authority and Lou George for all that was done to complete the transaction in a very positive and efficient manner.

Mr. Hancock went on to say that, earlier in the week, staff priced the Series 2006B bonds for CentraState and the Series 2006B bonds for Hunterdon. CentraState's bonds were structured as taxable auction rate securities and will initially use a 7-day auction period. Other auction bonds issued by the Authority have used either American Municipal Bond Assurance Corporation or Financial Security Assurance, Inc. as the insurer, so this will be the Authority's first auction bonds using Assured Guaranty and the first taxable auction rate issue. The initial rate was set at 5.15% and the bond size was set at \$29,850,000.

Hunterdon's bonds, amounting to \$17,085,000, are structured as fixed rate securities with a final maturity of 2036. The Hospital is rated "A-" by S&P and "A" by Fitch. The underwriter utilized an order period to gauge the market for the bonds and made an offer to purchase with yields ranging from 3.94% in 2010 to 4.35% in the 2036 maturity. The all-in true interest cost is 4.89%. Premium bonds dominated this issue's structure, as well.

In this three week stretch of pricings, each issue had different ratings and forms of credit. St. Barnabas was in the "BBB" category, Hunterdon in the "A" category, CentraState was insured and the COMP issues had letters of credit. Mr. Hancock reported that the CentraState issues are closing today and St. Barnabas and Hunterdon are expected to close next week.

Mr. Escher asked about the rating for the 5.15% initial interest rate transaction. Mr. Hancock replied that the CentraState bonds in question were insured by Assured Guaranty and rated "AAA" by two rating agencies and "AA+" by a third. However, because this issue is a taxable auction rate financing, the bonds received the interest rate of 5.15%, despite high investment grade ratings. The bond sale reports are for informational purposes only, therefore, no Authority action was required.

TEFRA HEARING AND CONTINGENT BOND SALE

Somerset Medical Center

Mr. Escher announced that, as required by the Tax Reform Act of 1986, the following portion of today's meeting will be considered a public hearing in connection with the Authority's bonds for Somerset Medical Center. As a public hearing, he welcomed everyone to participate in the discussions on the transactions.

Suzanne Walton introduced Brian O'Neill, Chief Financial Officer, and Scott Nothnagel, Director of Finance for Somerset Medical Center (the "Medical Center"). Ms. Walton indicated that she would be seeking the Members' approval of a sale of bonds on behalf of Somerset Medical Center in an amount of \$15 million. She then pointed out that the transaction summary that had been included in the mailing packages anticipated two series of bonds, a taxable and tax-exempt series. However, subsequent to the mailing, bond counsel determined that the taxable portion of the project can be entirely allocated to the Medical Center's equity contribution, thereby permitting the full \$15 million to be issued as one tax-exempt series of bonds. Mr. Tetelman asked if the Authority would be requested to issue any taxable bonds on Somerset's behalf at this time, to which Ms. Walton stated no.

The proceeds of the Series 2006 Bonds will be used to refinance a portion of a construction loan and to finance or reimburse the Medical Center for related project costs. The construction loan was incurred to finance the construction of a three-story Cancer Center and medical office building (the "Facility") on the Medical Center's campus. In addition to chemotherapy and radiation therapy services, the Facility will provide space for a laboratory, a pharmacy, a breast center, a salon, a gift shop, physician offices and a walkway to Somerset

Medical Center. The Medical Center will be providing an equity contribution to fund the portions of the project that will house for-profit activities, as well as the costs of issuing the Series 2006 Bonds.

Ms. Walton stated that the transaction will be privately placed with Peapack-Gladstone Bank, structured as a fixed rate financing. The initial rate will be set for ten years based on the tax-exempt equivalent of a fixed rate equal to 210 basis points over the monthly average yield on U.S. Treasury Securities, adjusted to a constant maturity of ten years in effect six days before the closing and, thereafter, the rate will reset at five-year intervals until maturity in 2032. If the rate were being set on this day of the meeting, the initial interest rate would be 4.42%.

The bonds, which will be unrated, will be secured by payments made by the Medical Center under the Loan Agreement. To secure its obligations under the Agreement, the Medical Center will provide a note, a mortgage on the Facility, an Assignment of Leases and an Environmental Indemnification Agreement. The purchaser will provide the Authority with a traveling Investment letter that will provide indemnification to the Authority arising out of the issuance and sale of the bonds.

Mr. Escher stated that this is an interesting transaction. Ms. Walton noted that the hospital is pleased that the bonds are able to be issued in one tax-exempt piece. Mr. Tetelman stated that he is pleased to do Authority business with New Jersey's local Peapack-Gladstone Bank for the first time. Mr. Escher noted that Peapack has a great banking reputation, and then stated that the fact that the interest rate for the transaction will be tied to a taxable rate barometer is new for the Authority. James Fearon, Esq., of GluckWalrath, LLP (bond counsel for the transaction) stated that Peapack-Gladstone Bank originally lent the Medical Center money for the project as a construction loan to be converted to taxable debt. As such, the bank is pleased to use this financing to convert a portion of that loan to tax-exempt debt. Since the bank's own analysis was performed based on taxable debt, they used this prior analysis (from negotiations that occurred a year and a half ago) to develop this interest rate structure.

Mr. Escher noted that the rate seems to be favorable, to which Mr. Hancock added that a private placement generally carries a slightly higher interest rate than a public offering, which is the case seen here since similar recent public offerings have received rates in the 4.0 to 4.1% range and this structure would provide a rate of 4.42% in today's market. This difference is appropriate for a private placement transaction issued at this time.

Dr. Cohen asked how the determination was made allowing the bonds to go from a taxable structure to tax-exempt. Mr. Fearon stated that the individual areas of the project Facility (which includes revenue producing areas such as physicians' offices, a cafeteria, a gift shop, etc.) were reviewed by square foot, costs, and the likelihood that they could produce revenue. It was determined that the amount needed to fund all the taxable uses of the project could be covered by the Medical Center's equity contributions. The remainder of the project, which consists of entirely tax-exempt uses, will be financed through the issuance of Authority bonds.

BOND RESOLUTION

Mr. Fearon stated that the Bond Resolution authorizes the issuance of the Series 2006 Bonds in the principal amount of \$15 million. The bonds will be issued in a fixed rate mode, with an initial interest rate based on a formula. As Ms. Walton explained, the initial 10-year rate will be the tax-exempt equivalent of a fixed rate equal to 210 basis points over the 10-year Treasury yield, computed six days before closing. For each of the three subsequent 5-year periods, the rate will be the tax-exempt equivalent of a fixed rate equal to 220 basis points over the 5-year Treasury yield, computed 45 days before each rate reset. The Bonds shall mature on

January 1, 2032 and will be subject to redemption prior to maturity as set forth in the Trust Indenture, with such changes as may be agreed to by the Purchaser, Peapack-Gladstone Bank. One such redemption is a mandatory redemption of all Bonds at the direction of the Bondholder, exercisable only on the three rate reset dates.

The Bond Resolution approves the form of the Bonds, the Trust Indenture, the Loan Agreement, and the assignment of the Loan Agreement. It also appoints U.S. Bank National Association as Trustee. The Bond Resolution authorizes the Authorized Officers to deliver the Series 2006 Bonds to the Trustee for authentication and delivery of the Bonds to the Purchaser on or before January 31, 2007. Finally, the Bond Resolution authorizes and directs the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate in order to effect the execution and delivery of the Trust Indenture, the Loan Agreement and the Assignment, and the issuance and sale of the Series 2006 Bonds.

Mr. Tetelman noted that the bank is able to call the bonds before the final maturity. He asked how much notice the bank would be required to give the hospital, should the bonds be called, to which Mr. Fearon replied the bank would have to inform the Medical Center 180 days in advance of the call. Mr. Escher explained why a bank would require the option to call the bonds, stating that banks have an interest in being able to claim that they are not carrying any long-term loans. It may be the bank's intention to hold the bonds for the full 25 years, but a bank would generally like to reserve the legal option to call the bonds if necessary so that it can match its assets to its liabilities.

Mr. Jackson noted that some of the Medical Center's ratios are sub-par when compared to statewide medians. Ms. Walton stated that 2004 was a difficult year for the Medical Center due in part to union activity and efforts made to achieve a cardiac surgery program. In 2005, the numbers begin to show that the Medical Center made efforts to improve these ratios, though the improvements are slow. She noted that the Medical Center, still in turnaround mode, is described as "growing into its debt" and shows continued improvement. Mr. Hancock noted that these less-than-favorable ratios are reflected in the hospital's rating of "Baa3". Mr. Tetelman added that the Medical Center's ratios regarding payables and receivables, a commonly-referenced litmus for a hospital's financial stability, are fairly strong.

Referencing the distributed financial information on overlapping services, Mr. Jackson asked if these are a concern for the Medical Center, to which Mr. Hancock replied that while it can be a concern for some hospitals, in this particular case it is not. The information presented to the Members for this meeting is a standard report of Authority data based on zip codes, however, in reality, the two hospitals "overlapping" with Somerset have very limited market share in common. Mr. Tetelman and Mr. O'Neill confirmed that the populations served by these three hospitals are all very different from one another.

Mr. Escher asked the Members' pleasure with respect to the adoption of the Bond Resolution. Mr. Tetelman moved that the document be approved. Ms. Stokley seconded. The vote was unanimous and the motion carried. The motion carried

AB RESOLUTION NO. GG-65

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 BONDS, SOMERSET MEDICAL CENTER ISSUE, SERIES 2006.”

TRANSMITTAL TO THE GOVERNOR

Upon a motion made by Mr. Jackson, seconded by Mr. Tetelman, the Assistant Secretary was authorized, through a unanimous vote, to execute a certified copy of the minutes of this portion of the meeting and forward them to the Governor with a recommendation that he approve all actions taken by the Authority with respect to the issuance and sale of bonds on behalf of Somerset Medical Center.

Mr. Escher congratulated Somerset Medical Center on the sale approval. Mr. O’Neill thanked the Authority for their consideration and approval and thanked staff for their diligence, stating that they really “outdid themselves” with this transaction. Mr. Escher then closed the public hearing required by the Tax Reform Act of 1986 regarding the proposed financing.

NEGOTIATED SALE REQUEST & INFORMATIONAL PRESENTATION

St. Mary’s Hospital at Passaic

Mark Hopkins began by introducing Chief Operating Officer Bob Iannacone, JH Cohn consultant Wayne Ziemann, and bond counsel Ray Perez from Cozen O’Connor. He then described St. Mary’s Hospital (“St. Mary’s”) as 200-bed not-for-profit acute care hospital located in Passaic. St. Mary’s is a controlled member corporation of the not-for-profit holding company St. Mary Health Corporation. St. Mary’s recently received approval from the bankruptcy court to acquire Beth Israel Hospital Association of Passaic [doing business as Passaic Beth Israel Regional Medical Center (“PBI”)] for approximately \$36.7 million. PBI is also a not-for-profit acute care hospital in Passaic with 264 beds.

St. Mary’s expects to acquire PBI during the first quarter of 2007 and expects to close the current St. Mary’s facility shortly after the acquisition.

According to Mr. Hopkins, St. Mary’s signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to: (i) refinance the Authority’s 2003 bonds and 2004 COMP bonds originally issued on behalf of Beth Israel Hospital Association of Passaic (“PBI”); (ii) refund the 1999 COMP bonds issued on behalf of St. Mary’s; (iii) fund working capital requirements during the transition; (iv) fund Debt Service Reserve Funds; and (v) fund capitalized interest and pay related costs of issuance.

The bonds may be issued in several series and may include both tax-exempt and taxable bonds. Approximately \$30.3 million of bonds are expected to be backed by the State through the Hospital Asset Transformation Program. Approximately \$16.6 million of bonds are expected to be secured by a first priority lien on the property and gross revenues of St. Mary’s. The maturity of the bonds is yet to be determined.

St. Mary’s also plans to obtain a line of credit of approximately \$15 million using its accounts receivable as security.

Mr. Hopkins reported that, in 1999, the Authority issued \$9.8 million through the COMP Series 1999 A-4 bonds for St. Mary’s. As of September 30, 2006, \$7,400,000 remained outstanding on these bonds. No bonds issued by the Authority on behalf of St. Mary’s in 1985 remain outstanding.

In 2003, the Authority issued \$30.6 million worth of bonds on behalf of PBI. These bonds were declared in default and have been accelerated by Commerce Bank as the sole bondholder. On these bonds, the outstanding balance is approximately \$10.5 million.

The Authority issued its COMP Series 2004 A-2 bonds on behalf of PBI in the original principal amount of \$13.3 million, of which approximately \$10.6 million remains outstanding. The bondholders of the 2004 A-2 bonds have tendered their bonds to Commerce Bank as the letter of credit provider and the debt currently is held by Commerce Bank under the terms of the Letter of Credit and Reimbursement Agreement.

Additionally, Debtor-in-Possession financings of \$3.5 million and \$1.5 million were provided by Commerce Bank (with other participants) and the Authority, respectively. Both mature on February 28, 2007 and carry a variable interest rate based on prime plus 2%.

The proposed financing is expected to refinance the Debtor-in-Possession financings and refund the 1999 bonds issued on behalf of St. Mary's, as well as the 2003 bonds and 2004 COMP bonds issued on behalf of PBI.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, St. Mary's generated a deficiency of revenue over expenses of approximately \$12.87 million in 2005 and \$3.35 million in 2004. Unaudited information for the nine months ended September 30, 2006 shows a deficiency of revenue over expenses of approximately \$7.9 million.

According to the Authority's Apollo reports, St. Mary's shows that days cash on hand increased to 6.91 days as of September 30, 2006 from 5.27 days as of September 30, 2005, which is less than the Statewide Median of 76 days as of June 30, 2006. The hospital's operating margin was a negative 14.94 and negative 7.17 for the periods ending September 30, 2006 and 2005, respectively. The debt service coverage was negative 5.98 times and the Cushion Ratio was 1.40 times.

Mr. Hopkins noted that the following information covers the period ending September 30, 2006 for St. Mary's and June 30, 2006 for the state-wide median. Days in accounts receivable were 91.66 days versus the statewide median of 49.08 days and the ratio of full-time employees per adjusted occupied bed was 9.69 versus a statewide median of 5.18.

St. Mary's annual inpatient utilization trends as of the three quarters ending September 30, 2006 show increasing admissions and inpatient days over the same period in 2005. For the same three quarters, length of stay decreased slightly from 4.75 in 2005 to 4.28 in 2006, and the occupancy rate on licensed beds fell slightly from 46.71 in 2005 to 42.99 in 2006.

Mr. Hopkins noted that St. Mary's has asked that the Authority permit the use of a negotiated sale because it involves: (i) the sale of a complex or poor credit; (ii) the sale of a complex financing structure including those transactions that involve the simultaneous sale of more than one series of bonds with each series structured differently; and (iii) programs or financial techniques that are new to investors. Because these reasons are considered under the Executive Order #26 policy to be a justification for the use of a negotiated sale, staff recommended that the Authority approve the use of a negotiated sale and approve the forwarding of a copy of these justifications to the State Treasurer.

In response to a question from Mr. Escher, Mr. Hopkins clarified that the transaction could be structured in as many as four issues, consisting of a taxable and a tax-exempt issue backed by the State and a taxable and a tax-exempt issue backed by St. Mary's credit.

Mr. Tetelman then asked representatives from St. Mary's to address the issue of reproductive rights for women in the community of Passaic, should St. Mary's purchase the PBI

facility. Mr. Iannacone stated that, in terms of this transaction, there would be no change in the current situation regarding reproductive rights for women, since PBI Regional Medical Center closed its obstetrics unit in October. Additional services not provided by St. Mary's will continue to be available at local clinics in and near Passaic, including Planned Parenthood and a Federally Qualified Health Center. Further, St. Mary's has been assured by Barnert Hospital and Meadowlands Hospital Medical Center that a full range of obstetric options will continue to be provided at those nearby facilities. Also, the community of Passaic is largely comprised of Hasidic and Latino populations; these two groups rarely use the services in question that are not provided by St. Mary's.

Mr. Tetelman expressed concern over St. Mary's financial statistics. Mr. Iannacone stated that for many years this region had three struggling hospitals all competing with one another for the health care market. This consolidation, he said, is long overdue. Further, the doctors in the area moved between the three hospitals, playing one hospital against another, dividing the area's resources and loyalties. Consolidating these hospitals will not only provide a single facility to serve the entire market, but it will also realign the doctors. Mr. Iannacone noted that the facility's largest expense is full-time employees. As such, St. Mary's knows going into the current negotiations that it is crucial to the hospital's success that the facility employ the highest level of staff to provide good services and recruit and retain good doctors.

He admitted there are some issues to be renegotiated with the union contracts, a primary one being the issue of floating from one department to another. Recognizing that PBI encountered a severe struggle with its doctors when it moved into the General Hospital Center of Passaic location, St. Mary's is in good spirits going into contract negotiations and emphasizes that, though the transaction is a purchase, when it comes to the staff, the consolidation must be viewed as a merger. Special care will be taken to ensure that the doctors play a role in determining the future of the various products and services to be provided within the hospital.

Dr. Cohen stated that he was unfamiliar with St. Mary's auditing firm and noted that they are based in North Carolina rather than New Jersey. He asked about the firm's experience with health care and asked if St. Mary's had been using the firm for several years. Mr. Ziemann replied that St. Mary's recently switched over to this auditor as a cost saving measure, but noted that the auditor had performed services for several hospitals. As a fellow professional, he did not feel it is his place to assess their performance.

Mr. Hopkins noted that Mr. Iannacone previously operated the General Hospital Center of Passaic when it was owned by Atlantic Health System. Mr. Iannacone noted that the facility was doing well while he ran the operations. Mr. Hopkins and Mr. Iannacone also confirmed for Mr. Jackson that St. Mary's final audited financials for 2005 had been received by the Authority.

Mr. Jackson noted that he is concerned with St. Mary's less-than-stellar financial statistics, particularly the debt to capitalization ratio. He stated that it may be difficult for the facility to manage the additional debt. Mr. Ziemann stated that combining the two facilities will create one much larger facility and the new debt structure will actually be appropriate for a hospital of this magnitude. The current facility generates approximately \$60 to \$70 million in annual revenue while the new facility will generate approximately \$180 to \$200 million each year. Mr. Hopkins added that he recently read that the two facilities had been operating roughly half-empty. Combining the two locations will create a facility filled to a much higher capacity. The new facility expects to see a profit in two years.

Ms. Stokley asked what will happen to the current St. Mary's building, to which Mr. Ziemann stated that, following a brief transition period during which both facilities will operate,

the St. Mary's facility will be sold. Mr. Tetelman noted that, with a shortage of land in Passaic, the St. Mary's property is of great value. He also stated that this is the first use of the Hospital Asset Transformation Program.

Mr. Tetelman moved to approve the pursuit of a negotiated sale on behalf of St. Mary's Hospital at Passaic; Dr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-66

(attached)

Mr. Hopkins then noted that the Department of Health and Senior Services may not be able to approve the Certificate of Need request by St. Mary's until early February. Therefore, the Authority may need to have a special meeting in early February to consider the contingent bond sale in order to follow the Authority's policy that all approvals be received at the time of the sale approval.

AMENDMENT TO SERIES RESOLUTION

CentraState Medical Center

Mr. Hancock reminded the Members that, on November 21st, the Authority approved a Bond Resolution for the Series 2006B bonds (in an amount not to exceed \$35 million) to be issued on behalf of CentraState Medical Center. These bonds, together with the tax-exempt fixed rate Series 2006A bonds, provide funding for an ambulatory campus and upgrades to an MRI facility.

Structured initially as auction rate bonds, the Series 2006B bonds may be converted to another mode, similar to most other auction rate bonds issued by the Authority. The major difference, in this case, is the taxable nature of the bonds, which is due to the use of a portion of the ambulatory campus by non-exempt entities such as private physicians.

Mr. Hancock stated that as the marketing of the Series 2006B bonds approached, the underwriter noticed that the Bond Resolution established a maximum rate for any interest rate reset, as is typical with variable rate securities, however, the maximum established was a standard for tax-exempt securities, not taxable. The underwriter requested that staff ask the Members to consider an amendment to the applicable Bond Resolution.

Bond Counsel prepared the First Supplemental Resolution to modify the Trust Indenture through the form of the First Supplemental Trust Indenture. Assured Guaranty (the bond insurer), UBS (the broker-dealer), and CentraState provided written approval of the amendment. Based on Bond Counsel's opinion, the Trustee determined that the amendment does not materially adversely affect the interests of the bondholders.

Although, the closing on the bonds had already begun as planned by the time of this meeting, the initial bondholders were notified in the official statement that the Authority may or may not approve the First Supplemental Resolution. The universe of possible purchasers of the bonds may be reduced without this proposed amendment, however, affecting the demand for the bonds and potentially increasing the interest cost for CentraState. Mr. Hancock noted that the Attorney General's Office reviewed the documents and suggested certain changes be made to the First Supplemental Trust Indenture, which were incorporated and are being recommended to the Members at this time. Mr. Jackson asked what changes were made, to which Mr. Hancock replied that Section 4 and Section 5 were added to page three of the indenture document.

Mr. Tetelman offered a motion to amend the Series Resolution on behalf of CentraState Medical Center as requested; Mr. Jackson seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-67

NOW, THEREFORE, BE IT RESOLVED, That the Authority hereby approves the “FIRST SUPPLEMENTAL RESOLUTION AMENDING ‘A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, CENTRASTATE MEDICAL CENTER ISSUE, SERIES 2006B (FEDERALLY TAXABLE)’ ADOPTED ON NOVEMBER 21, 2006”;

BE IT FURTHER RESOLVED, That, the Authority also approves the form of the modified Trust Indenture, titled “First Supplemental Trust Indenture.”

AUTHORITY EXPENSES

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

AB RESOLUTION NO. GG-68

WHEREAS, the Authority has reviewed memoranda dated December 14, 2006, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of \$679,324.95, \$28,387.68 and \$136,050.88 respectively, and has found such expenses to be appropriate;

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

STAFF REPORTS

Mr. Escher thanked staff for their preparation of reports that were distributed for review, including the Project Development Summary, Cash Flow Statement, and a Legislative Advisory.

Mr. Hopkins then announced the following items in his Executive Director’s Report:

1. In hospital news:
 - a. Former Commissioner of Health and Senior Services, Clifton Lacy, announced his resignation as President and Chief Executive Officer (“CEO”) of Robert Wood Johnson University Hospital and Health System in order to focus full time on developing and directing the new Institute for Disaster and Terror Medicine at UMDNJ-Robert Wood Johnson Medical School and Robert Wood Johnson University Hospital.

- b. Also, on November 30th, Rob Evans left his role as President and CEO of Bayonne Medical Center in order to serve as Chief Operating Officer of Cathedral Health System. The Jersey Journal reports that Eugene Greenan, a 25-year employee with Bayonne serving most recently as Executive Vice President for Corporate Affairs, will serve as Bayonne's new CEO, effective immediately. Additionally, the New York panel reviewing Bayonne's request to purchase St. Vincent's Staten Island issued its final approval of the transaction.
 - c. Mr. Hopkins noted that staff provided the Members with recent articles on derivatives, the St. Mary's/PBI transaction and Bayonne Medical Center.
2. In Authority staff news:
- a. On Wednesday December 13th, Jim Van Wart participated as a panelist at *Leadership Newark's* seminar on Health & Human Services at which he spoke specifically on health care finance. *Leadership Newark* is a two-year public policy fellowship for adults. It is designed to enhance the knowledge and skills of adults on key issues impacting the community.
 - b. Project Manager Suzanne Walton celebrated her 20th anniversary with the Authority this month.

Mr. Hopkins then took a moment to acknowledge the tremendous job performed by the staff of the Authority, particularly at the end of the year. The Members agreed and commended staff.

EXECUTIVE SESSION

As permitted by the Open Public Meetings Act and the Authority's By-Laws, the Members voted to meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General. Mr. Escher stated that the results of the discussion would be made known at such time as the need for confidentiality no longer existed. Mr. Tetelman offered a motion to enter the session; Mr. Jackson seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-69

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 and contractual matters, and to receive advice from the Office of the Attorney General.

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. Mr. Tetelman stated that, on behalf of the Commissioner of Health and Senior Services and the rest of the Authority Members, he would like to thank the Authority staff for their terrific work in this year full of challenges. He complimented Deputy Attorney General Cliff Rones for his work, as well, and wished everyone a happy holiday season and New Year.

As there was no further business to be addressed, Mr. Jackson moved to adjourn the meeting, Mr. Tetelman seconded. The vote was unanimous, and the motion carried at 12:00 noon.

I HEREBY CERTIFY THAT THE
FOREGOING IS A TRUE COPY OF
MINUTES OF THE NEW JERSEY
HEALTH CARE FACILITIES
FINANCING AUTHORITY MEETING
HELD ON DECEMBER 14, 2006.

Carole A. Conover
Assistant Secretary

AB RESOLUTION NO. GG-66

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

St. Mary's Hospital of Passaic

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

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

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

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

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

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

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

WHEREAS, St. Mary's Hospital of Passaic ("St. Mary's") has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the "Financing"); and,

WHEREAS, a portion of the requested Financing may be issued under the Hospital Asset Transformation Program and a separate portion may be issued independently on the credit of St. Mary's, which may be issued as tax-exempt or taxable or both; and,

WHEREAS, St. Mary's has requested that the Authority consider approving the pursuit of a negotiated sale; and,

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

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

WHEREAS, St. Mary's is considering the use of a program that is new to investors; and,

WHEREAS, the Authority is desirous of being responsive to the request made by St. Mary's; and,

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

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

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

FIRST SUPPLEMENTAL RESOLUTION

FIRST SUPPLEMENTAL RESOLUTION AMENDING “A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, CENTRASTATE MEDICAL CENTER ISSUE, SERIES 2006B (FEDERALLY TAXABLE)” ADOPTED ON NOVEMBER 21, 2006.

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

WHEREAS, the Authority duly adopted on November 21, 2006 its Bond Resolution entitled “A Resolution Authorizing The Issuance Of New Jersey Health Care Facilities Financing Authority Revenue Bonds, CentraState Medical Center Issue, Series 2006B (Federally Taxable)” (the “**Bond Resolution**”); and

WHEREAS, pursuant to the Bond Resolution and a Trust Agreement, dated as of December 1, 2006 (the “**Trust Agreement**”), between the Authority and The Bank of New York, as Trustee (the “**Bond Trustee**”), the Authority has heretofore authorized the issuance of its Revenue Bonds, CentraState Medical Center Issue, Series 2006B (Federally Taxable) (the “**Bonds**”); and

WHEREAS, prior to the issuance of the Bonds, the Broker-Dealer had requested that the Authority consider the adoption of an amendment to the Bond Resolution as hereinafter provided in this Supplemental Resolution and the approval of the execution and delivery by the Authority of a First Supplemental Trust Agreement in the form submitted to this meeting; and

WHEREAS, Section 9.1(l) of the Trust Agreement provides that the Authority and the Bond Trustee may, without the consent of any of the Registered Owners, but with prior written notice to the Bond Insurer and the Borrower, enter into one or more Supplemental Trust Agreements, among other things, with the prior written consent of the Bond Insurer, to make any other change which, in the sole judgment of the Bond Trustee, does not materially adversely affect the interests of the Registered Owners (in making such determination, the Bond Trustee shall be entitled to rely conclusively upon an Opinion of Counsel); and

WHEREAS, Assured Guaranty Corp. (“**Assured**”), the Bond Insurer, has granted its consent to the adoption of this Supplemental Resolution and the execution and delivery of the First Supplemental Trust Agreement; and

WHEREAS, the Authority and the Trustee have received an Opinion of Counsel stating that the provisions of the First Supplemental Trust Agreement do not materially adversely affect the interests of the Registered Owners; and

WHEREAS, the Broker-Dealer and the Borrower have consented to the adoption of this Supplemental Resolution and the execution and delivery of the Supplemental Trust Agreement.

NOW, THEREFORE, BE IT RESOLVED by the New Jersey Health Care Facilities Financing Authority, as follows:

Section 1. Section 2.(c) of the Bond Resolution shall be amended to read as follows:

“(c) The Bonds shall mature no later than July 1, 2040. The Bonds shall initially bear interest at a rate to be determined by periodic auction procedures as set forth in the Trust Agreement. In no event shall the interest rate borne by the Bonds, calculated as described in the Trust Agreement, exceed the lesser of (A) eighteen percent (18%) per annum, or in the case of Liquidity Provider Bonds, such lesser rate, if any, as may be the maximum rate utilized to determine the amount available under the Liquidity Facility, and (B) the maximum rate permitted by law. The redemption price on the Bonds, if any, shall not exceed 103% of the principal amount of the Bonds to be redeemed.”

Section 2. Capitalized terms used and not defined in this Supplemental Resolution shall have the meaning given to such words and terms in the Bond Resolution or in the Trust Agreement.

Section 3. Except as amended hereby, the Bond Resolution is ratified and reaffirmed in its entirety.

Section 4. The execution of any and all supplements and/or amendments to the Trust Agreement and any other documents necessary to carry out the intent of this First Supplemental Resolution by an Authorized Officer is hereby approved.

Section 5. This Supplemental Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery to the Governor of the minutes of the meeting of the Authority, or an excerpt thereof, at which the Supplemental Resolution is adopted, unless vetoed by the Governor, or at such earlier time as the Governor signs a statement of approval, all in accordance with subsection (i) of Section 4 of the Act. However the interest rates specified in Section 1 herein shall not become effective until proper execution of the required amendments and/or supplements to the Trust Agreement.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
to
THE BANK OF NEW YORK
as Trustee

FIRST SUPPLEMENTAL TRUST AGREEMENT

dated as of December ____, 2006

Supplementing and Amending the

TRUST AGREEMENT

dated as of December 1, 2006

Securing

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

REVENUE BONDS

CENTRASTATE MEDICAL CENTER ISSUE, SERIES 2006B (FEDERALLY

TAXABLE)

THIS FIRST SUPPLEMENTAL TRUST AGREEMENT dated as of December ____, 2006 (the "Supplemental Trust Agreement"), supplementing and amending the Trust Agreement dated as of December 1, 2006 (the "Trust Agreement"), by and between the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority"), a public body corporate and politic and a political subdivision of the State of New Jersey (the "State") and THE BANK OF NEW YORK, a banking corporation organized and duly existing under the laws of the State of New York, having a principal corporate trust office in West Paterson, New Jersey, as trustee (the "Trustee").

WITNESSETH:

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

WHEREAS, the Authority duly adopted on November 21, 2006 its Bond Resolution entitled "A Resolution Authorizing The Issuance Of New Jersey Health Care Facilities Financing Authority Revenue Bonds, Centrastate Medical Center Issue, Series 2006B (Federally Taxable)" (the "Bond Resolution"); and

WHEREAS, pursuant to the Bond Resolution and a Trust Agreement, dated as of December 1, 2006 (the "Trust Agreement"), between the Authority and The Bank of New York, as Trustee (the "Bond Trustee"), the Authority has heretofore authorized the issuance of its Revenue Bonds, CentraState Medical Center Issue, Series 2006B (Federally Taxable) (the "Bonds"); and

WHEREAS, prior to the issuance of the Bonds, the Broker-Dealer had requested that the Authority consider the adoption of an amendment to the Bond Resolution as hereinafter provided in a certain First Supplemental Resolution adopted by the Authority on December 14, 2006 and the approval of the execution and delivery by the Authority of this Supplemental Trust Agreement; and

WHEREAS, Section 9.1(I) of the Trust Agreement provides that the Authority and the Bond Trustee may, without the consent of any of the Registered Owners, but with prior written notice to the Bond Insurer and the Borrower, enter into one or more Supplemental Trust Agreements, among other things, with the prior written consent of the Bond Insurer, to make any other change which, in the sole judgment of the Bond Trustee, does not materially adversely affect the interests of the Registered Owners (in making such determination, the Bond Trustee shall be entitled to rely conclusively upon an Opinion of Counsel); and

WHEREAS, Assured Guaranty Corp. ("Assured"), the Bond Insurer, has granted its consent to the adoption of the Supplemental Resolution and the execution and delivery of this Supplemental Trust Agreement; and

WHEREAS, the Authority and the Trustee have received an Opinion of Counsel stating that the provisions of this Supplemental Trust Agreement do not materially adversely affect the interests of the Registered Owners; and

WHEREAS, the Broker-Dealer and the Borrower have consented to the adoption of the Supplemental Resolution and the execution and delivery of the Supplemental Trust Agreement; and

WHEREAS, the Supplemental Resolution became effective in accordance with the Act on _____, _____;

NOW, THEREFORE, THIS SUPPLEMENTAL TRUST AGREEMENT WITNESSETH that in consideration of the mutual covenants herein contained, and intending to be legally bound hereby, the Authority and the Trustee hereby agree for the equal and proportionate benefit of the holders from time to time of the Bonds, as follows:

Section 1. Definitions and Terms. Unless the context shall otherwise require, and except as provided in this Supplemental Trust Agreement, the words and terms used in this Supplemental Trust Agreement shall have the meanings specified in the Trust Agreement.

Section 2. Amendment to Section 1.1 of Trust Agreement. The definition of the term "Maximum Rate" set forth in Section 1.1 of the Trust Agreement is hereby amended to be and read as follows:

"Maximum Rate" means the lesser of (A) eighteen-percent (18%) per annum, or in the case of Liquidity Provider Bonds, such lesser rate, if any, as may be the maximum rate utilized to determine the amount available under the Liquidity Facility, and (B) the maximum rate permitted by law.

Section 3. Amendment to Section 100 of Appendix B of Trust Agreement. The definition of the term "Maximum Rate" set forth in Section 100 of Appendix B of the Trust Agreement is hereby amended to be and read as follows:

"Maximum Rate" means, when the Bonds bear interest at the ARCs Rate, the lesser of: (i) the maximum rate of interest permitted by State law or (ii) 18% per annum.

Section 4. Confirmation of Trust Agreement. The Trust Agreement and this Supplemental Trust Agreement shall be read, taken and construed as one and the same instrument. Except as amended and supplemented hereby, the provisions of the Trust Agreement shall remain in full force and effect.

Section 5. Counterparts. This Supplemental Trust Agreement may be executed in several counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Supplemental Trust Agreement.

Section 6. Effective Date. This Supplemental Trust Agreement shall be effective upon the execution of the Amendment and this Supplemental Trust Agreement.

IN WITNESS WHEREOF, the **NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY** has caused this Trust Agreement to be signed in its name by its duly authorized officers and THE BANK OF NEW YORK, in token of its acceptance of the trusts created hereunder, has caused this Trust Agreement to be signed in its corporate name by its duly authorized officer, all as of the day and year first above written.

**NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY**

By: _____
MARK E. HOPKINS,
Executive Director

{SEAL}
Attest:

DENNIS HANCOCK,
Assistant Secretary

THE BANK OF NEW YORK, as Bond Trustee

By: _____
JOSEPH MATE,
Vice President