Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on February 22, 2007 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:
Gus Escher, Public Member (chairing as Vice Chairman); Moshe Cohen, Public Member; Thom Jackson, Public Member (on the telephone); Edward Tetelman, Designee of the Commissioner of Health and Senior Services; 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, Steve Fillebrown, Michael Ittleson, Suzanne Walton, Susan Tonry, Bill McLaughlin, Ron Marmelstein, Lou George, Carole Conover, and Stephanie Bilovsky.

The following **representatives from State offices and/or the public** were in attendance:
Kay Fern, Evergreen Financial; Bob Iannacone, St. Mary's Hospital of Passaic; Dan Davis, Catholic Health East; John Cavaliere of McManimon & Scotland, L.L.C.; John Calandriello, St. Peter's University Hospital; Karen Lumpp, Atlantic Health System; Paul Dabrowski, Trinitas Hospital; Isabel Miranda, GluckWalrath; Wayne Ziemann, JH Cohn; Ray Perez; Cozen O'Connor; Scott Kobler, McCarter & English; Mike Sheehan, Phil DelVecchio, Merrill Lynch; Aimee Manocchio-Nason, Department of Law; Michael Marcus, Goldman Sachs; Maryann Kicenuik, Windels, Marx, Lane & Mittendorf; Kent Pier, Sovereign Bank; Jack Swire, Kari Fazio, Sakinah Rahman, Wachovia Bank; Danielle Cheung, JPMorgan Chase; Jim Petrino, Treasurer's Office; and, Clifford T. Rones, Deputy Attorney General.

CALL TO ORDER

Mr. Escher called the meeting to order at 10:00 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

December 15, 2006 Authority Meeting

Mr. Escher noted that minutes for the December 15, 2006 meeting were distributed for approval at the prior Authority meeting. Prior affirmative votes cast by Gus Escher, Maryann Kralik and Freida Phillips carry over. Moshe Cohen and Thom Jackson had yet to vote, and one more affirmative vote was needed to approve the minutes. At this point, Dr. Cohen and Mr. Jackson both voted yes, and the minutes were thereby approved.

January 25, 2007 Authority Meeting

The minutes for the Authority's January 25, 2007 Authority meeting were distributed for review and approval. Mr. Jackson offered a motion to approve the minutes; Mr. Tetelman seconded. Mr. Escher voted yes; Dr. Cohen voted yes; Mr. Jackson voted yes; Mr. Tetelman voted yes; and Ms. Stokley voted yes. The motion carried and the minutes were approved.

CONTINGENT BOND SALE

St. Mary's Hospital at Passaic

Mark Hopkins began by introducing Bob Iannacone, Executive Vice President and Chief Operating Officer of St. Mary's Hospital of Passaic ("St. Mary's"), Wayne Ziemann, from JH Cohn (financial advisor to St. Mary's), and Ray Perez representing bond counsel Cozen O'Connor.

Mr. Hopkins stated that the Members are being asked to consider the approval of a contingent private placement sale of two series of short-term bonds (the "Interim Bonds") in an aggregate principal amount not to exceed $50 million. The Interim Bonds are expected to be refunded by long-term bonds backed by a State contract under the Hospital Asset Transformation Program (the "State Contract Bonds") within 60 days of issuance.

One series of the Interim Bonds is expected to be issued as tax-exempt bonds in an amount of approximately $35.5 million and will bear interest at rates not to exceed the BMA Index plus 200 basis points for the first 60 days, the BMA Index plus 350 basis points for 61 to 90 days, and the BMA Index plus 700 basis points if more than 90 days. The second series of the Interim Bonds is expected to be issued as taxable bonds, in an amount of approximately $10.5 million and will bear interest at rates not to exceed the 30-day LIBOR Index plus 200 basis points for the first 60 days, the 30-day LIBOR Index plus 350 basis points for 61 to 90 days, and the 30-day LIBOR Index plus 700 basis points if more than 90 days.

Neither series of the Interim Bonds is expected to carry credit enhancement nor are they expected to be rated. Both series of the Interim Bonds are expected to be privately placed with Merrill Lynch.

The proceeds of the Interim Bonds will be used to: (1) finance the acquisition of PBI Regional Medical Center ("PBI") in an amount of $36.7 million, from which PBI will pay off the approximately $22 million of PBI's Authority bonds currently outstanding and a $5 million debtor-in-possession loan; (2) refund approximately $7.4 million of Authority bonds currently outstanding on behalf of St. Mary's; and (3) pay certain costs of issuing the Interim Bonds.

Mr. Hopkins reported that the Members are also being asked to approve the execution and delivery of a Forward Delivery Agreement, whereby the Authority agrees to issue the State Contract Bonds to refund the Interim Bonds.

In a third piece of business, Members are also being asked to consider the approval of a contingent bond sale of the State Contract Bonds in an aggregate principal amount not to exceed $50 million to refund the Interim Bonds. One series of the State Contract Bonds is expected to be issued as tax-exempt bonds in an amount of approximately $30 million and will bear interest at a rate not to exceed 6%. The second series is expected to be issued as taxable bonds, in an amount of approximately $18 million and will bear interest at a rate not to exceed 7.5%. The

State Contract Bonds are expected to be publicly sold by Merrill Lynch and are expected to carry a fixed rate of interest for up to thirty years. In addition to refunding the Interim Bonds, proceeds of the State Contract Bonds will be used to pay for related costs of issuance, and pay the interest accrued on the Interim Bonds.

Mr. Hopkins added that the Members are also being asked to request the Governor's expedited review and specific approval of the minutes that relate to the St. Mary's financing. Failure to issue the Interim Bonds by February 27th would result in St. Mary's inability to acquire PBI by the bankruptcy court-imposed deadline of February 28, 2007.

Financial advisors for St. Mary's prepared projections regarding operations during the first four years after the acquisition of PBI. These projections and the underlying assumptions were discussed and reviewed with Authority staff, the underwriter, representatives from the Treasurer's office and management from St. Mary's. Mr. Hopkins then turned the floor over to Ray Perez to present further information on the resolutions.

Mr. Perez first addressed the Hospital Revenue Bonds Series Resolution, which would be issued on an interim basis, and which will be used to acquire PBI's assets and to satisfy other outstanding funded indebtedness of Saint Mary's. The Series Resolution authorizes the issuance of Hospital Revenue Bonds (St. Mary's Hospital, Passaic NJ issue) Series 2007A and Series 2007B in an amount not to exceed a total of $50 million. The 2007B bonds will be federally taxable. The Series Resolution sets forth the terms of the Bonds, namely, a maximum interest rate, a final maturity date and a maximum redemption rate. The Series Resolution also approves the form of the Loan Agreement with St. Mary's and the Bond Placement Agreement with Merrill Lynch.

Mr. Perez then addressed the Hospital Asset Transformation Program Bond Resolution, which authorizes the issuance of State Contract Bonds in an amount not to exceed $50,000,000. The Bond Resolution approves the issuance of two series of bonds: Series 2007-1 and Series 2007-2, the latter of which will be federally taxable. The proceeds of these bonds will be used to refund the Interim Bonds. The Bond Resolution sets forth the terms of the bonds, namely, a maximum interest rate, a final maturity date and a maximum redemption rate. Also, the Bond Resolution approves the form of: the Forward Delivery Agreement, the Bond Purchase Contract, the Preliminary Official Statement, and other documents.

Mr. Perez added that Bank of New York is identified as Bond Trustee for both sets of bonds.

The Forward Delivery Agreement is an Agreement stating that, at a future date, the Authority will deliver the State Contract Bonds and for Merrill Lynch to purchase. It is subject to the terms of the purchase contract and provides certain conditions for the transaction to go forth. The document states that it is the intent for the Series 2007-1 and Series 2007-2 bonds to be delivered within 60 days of the issuance of the Series 2007A and Series 2007B bonds in order to refund those bonds.

In response to a question from Mr. Tetelman, Mr. Perez explained that the taxable series are necessary since there are some components of the transaction that are not permitted for tax-exempt financing. For example, St. Mary's intends to sell its existing facility at a future date for non-tax-exempt purposes. Also, portions of the financing related to accounts receivable cannot use tax-exempt financing, and there will also be some costs of issuance that surpass the allowable 2% tax-exempt mark, which require taxable financing.

Mr. Escher asked about the interim financing structure, to which Mr. Perez replied that Interim Bonds are necessary to allow St. Mary's to acquire PBI by the bankruptcy court-imposed deadline of February 28, 2007.

Mr. Hopkins added that the Bond Resolution also delegates to the Authority's Executive Director the ability to appoint co-managers for the State Contract Bonds. These appointments will be at the direction of the Treasurer's Office.

Mr. Escher reminded the Members that they are being asked to consider four actions. He asked the Members' pleasure with respect to the adoption of the Series Resolution for the Hospital Revenue Bonds on behalf of St. Mary's. Mr. Tetelman moved that the document be approved. Mr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-85

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Series Resolution entitled, "HOSPITAL REVENUE BONDS, (ST. MARY'S HOSPITAL, PASSAIC, N.J. ISSUE) SERIES 2007A AND SERIES 2007B (FEDERALLY TAXABLE) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $50,000,000."

Mr. Tetelman made a motion to authorize the execution and delivery of the Forward Delivery Agreement substantially in the form presented today with any changes approved by the Executive Director or Deputy Executive Director upon advice of the Attorney General's office; Mr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-86

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby authorizes the Executive Director or the Deputy Executive Director to execute and deliver the Forward Delivery Agreement substantially in the form presented, with such changes approved by the Executive Director or Deputy Executive Director upon advice of the Attorney General's office.

Mr. Escher asked the Members' pleasure with respect to the adoption of the Bond Resolution for the State-backed Hospital Asset Transformation Bonds on behalf of St. Mary's. Mr. Tetelman moved that the Bond Resolution be approved. Dr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-87

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Bond Resolution entitled, "HOSPITAL ASSET TRANSFORMATION PROGRAM BOND RESOLUTION (ST. MARY'S HOSPITAL, PASSAIC, N.J. ISSUE)."

<u>TRANSMITTAL TO THE GOVERNOR</u>

Upon a motion made by Mr. Tetelman, seconded by Dr. Cohen, 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 St. Mary's Hospital in Passaic.

Mr. Escher congratulated St. Mary's on coordinating such a complicated transaction. Mr. Iannacone thanked the Authority and all the consultants that worked on the transaction, stating that it was a phenomenal effort for the benefit of the communities of Passaic and Southern Bergen County. Mr. Tetelman commended the transaction as the first use of the Hospital Asset Transformation Program.

TEFRA HEARING AND CONTINGENT BOND SALE
Catholic Health East

Mr. Escher announced that, as required by the Tax Reform Act of 1986, the following portion of the meeting will be considered a public hearing in connection with the Authority's proposed Catholic Health East ("CHE") transaction. Project manager Lou George then introduced Dan Davis, CHE's Director of Capital Management, and stated that CHE requests consideration of a negotiated public offering. The proceeds of the proposed issue will be used to advance refund all or a portion of CHE's New Jersey outstanding indebtedness and pay the related costs of issuance. CHE currently has two bond issues through this Authority and another through the Camden County Improvement Authority.

Mr. George explained that CHE operates health care facilities with an aggregate of over 12,000 beds in eleven states on the east coast. In addition, CHE operates residential facilities for the elderly with approximately 1,800 living units. In New Jersey, CHE operates Our Lady of Lourdes Medical Center in Camden, Lourdes Medical Center of Burlington County in Willingboro, and St. Francis Medical Center in Trenton.

Mr. George indicated that the proposed Bond Indenture allows the bonds to be issued in a multi-modal form that provides for a conversion to various modes under certain conditions. This conversion feature provides flexibility to CHE if market conditions warrant a change. Initially, the bonds would be issued as variable rate index bonds with an interest rate calculated at 67% of 3-month LIBOR plus a spread to be determined at the time of pricing. CHE does not anticipate any change from this mode. The bonds would be uninsured and issued on the rating of the system which is rated "A1" by Moody's, "A" by Standard & Poors and "A+" by Fitch.

Mr. George noted that a recent financial analysis indicated that the refunding would provide $4.8 million of savings or 4.6% of the refunded bonds. Further, he noted that in keeping with Authority policy, CHE prepared financial projections for the years 2007 through 2009 which had been distributed to the Members prior to the meeting.

BOND RESOLUTION

John Cavaliere of McManimon & Scotland, L.L.C. stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2007 bonds in an aggregate principal amount not in excess of $160,000,000 and at a variable rate not in excess of 5.5%. The bonds will have a final maturity date of no later than November 15, 2037 and an optional redemption price subject to a "make whole" premium. The bonds will be secured by payments made by the members of the obligated group under a Loan Agreement, as evidenced and secured by a Note issued pursuant to the provisions of a Master Trust Indenture and Supplemental Indenture. The obligated group consists of CHE and all the system affiliates that collectively generate and own a substantial portion of the revenues and assets of the CHE Health System.

Further, the Bond Resolution approves the form of and authorizes the execution of a Bond Purchase Contract with Merrill Lynch, Pierce Fenner & Smith Incorporated prior to close of business on May 23, 2007 and approves the form, terms, and provisions of the Loan

Agreement and Bond Indenture, the form of the Bonds, and the Official Statement. The resolution also authorizes the Authorized Officers to take any action and execute any document or give any consent required under the Bond Resolution, Loan Agreement or the Bond Indenture.

Lastly, the Bond Resolution approves The Bank of New York Trust Company, N.A. of Pittsburgh, Pennsylvania to serve as trustee, authenticating agent, registrar and paying agent.

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

AB RESOLUTION NO. GG-88

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Bond Resolution entitled, "A BOND RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY, HEALTH SYSTEM REVENUE BONDS, CATHOLIC HEALTH EAST ISSUE, SERIES 2007."

Mr. Escher congratulated CHE on the contingent sale approval. Mr. Davis thanked the Authority staff for their help with the transaction and the Members for their cooperation. Mr. Escher then closed the public hearing required by the Tax Reform Act of 1986.

At this point, Mr. Jackson noted that he had to exit the meeting due to a prior engagement. He stated that he would call back in to the Authority meeting if his schedule permitted, though, it should be noted that he was unable to do so.

INFORMATIONAL PRESENTATIONS

A. Atlantic Health System

Mr. George began by introducing Karen Lumpp, the Corporate Director of Special Projects at Atlantic Health System. He then described Atlantic Health System ("AHS") as the parent of AHS Hospital Corp. which operates three divisions commonly referred to as Morristown, Overlook, and Mountainside. AHS entered into a Definitive Agreement to sell the Mountainside facility to Merit Mountainside, LLC of Louisville, Kentucky, and the proposed sale is undergoing various regulatory reviews.

Staff is working on a negotiated public offering, the proceeds of which will be used to: 1) effect a current refunding of a portion of the AHS' Series 1997A bonds, 2) provide funds for capital expenditures, and 3) pay the related costs of issuance. In addition, AHS will provide an equity contribution of approximately $34 million to cash defease the non-callable portion of the remaining Series 1997 A bonds.

The financing structure will involve one Series of Auction Rate bonds with two lots of approximately $50 million each. Initially, it is anticipated that the bonds will be issued as 7-day auction rate securities. The payment of principal and interest on the bonds will be insured through a commercial bond insurance policy from Ambac. In addition, AHS plans on entering into a swap agreement for a portion of the bonds (1 lot) that will take effect on the delivery date. Staff expects to request the Authority's approval of a contingent bond sale at the March meeting, further expecting to sell the bonds on or about April 19th.

Mr. George directed the Members' attention to financial and utilization data that supports the strong financial position of AHS. He noted that AHS had $29 million excess of revenues over expenses in 2005 compared to $43 million in 2004. For the nine months ended September

30th, AHS had a $22 million excess of revenues over expenses in 2006 compared to $14 million in 2005. AHS is in a very good cash position with 165 days of cash on hand as of the end of 2005 compared to a statewide median of 74 days. These financial statistics support AHS' underlying rating of "A2" from Moody's and "A+" from S&P.

Mr. Tetelman asked for an update on the sale of the Mountainside facility. Ms. Lumpp stated that AHS is near 75% through the regulatory process, with all of the Certificate of Need and Charitable Asset Protection Act ("CHAPA") requests for approval having been filed.

B. St. Peter's University Hospital

Suzanne Walton began by introducing John Calandriello, Senior Vice President for Finance at St. Peter's University Hospital ("St. Peter's"). Ms. Walton noted that staff is structuring an estimated $136 million financing on behalf of St. Peter's, the proceeds of which will be used to: 1) renovate existing public and patient care areas, 2) reimburse the hospital for capital expenditures, 3) refund Authority debt, 5) fund a debt service reserve fund, and 6) pay costs of issuance.

The new money component totaling approximately $50 million, is being undertaken to modernize an aging facility in order to allow St. Peter's to maintain existing patient volume and grow new services. Targeted areas include: cardiology, emergency care, geriatrics, oncology, pediatrics, perinatal and women's health and surgery, as well as public areas including the main entrance, the lobby, and all elevators. St. Peter's is also seeking reimbursement for approximately $6 million for prior capital expenditures. In addition, Saint Peter's plans to advance refund their Series 2000A Bonds, defease their Taxable Series 2000C utilizing their own cash and currently refund and restructure their Series F bonds issued in 1993.

Ms. Walton described St. Peter's as a 424-bed major teaching acute care hospital located in New Brunswick that provides a wide array of inpatient and outpatient services. St. Peter's is best known for its maternity and newborn services. The Hospital for Women and Children operates one of the largest maternity services in New Jersey and the country.

St. Peter's is part of a continuum of care that includes (1) a 120-bed skilled nursing facility, the Margaret McLaughlin McCarrick Care Center, (2) an outpatient ambulatory surgery center known as CARES, a joint venture between the Hospital and local community physicians and (3) the New Brunswick Cardiac Cath Lab. The hospital and the nursing home both comprise the Obligated Group, which will provide security for the bonds.

Ms. Walton noted that the financial and utilization information provided to the Members reflects operating losses in 2006. Management attributes the loss to the decline in admissions and patient days and one time charges to operations of approximately $3.3 million related to a litigation settlement and discontinued operations of its family practice centers. St. Peter's has taken steps to improve operating performance by instituting new programs to improve collections, renegotiating managed care rates, and controlling expenses. In addition, the proposed bond issuance will fund improvements to existing services in an effort to meet the demands of its existing patients and, attract new patients, families and physicians.

St. Peter's inpatient utilization trends have declined. Like many other hospitals in New Jersey, St. Peter's has experienced a decline in admissions over the past three years. A major portion of the admission decline in 2006 is tied to the closure of a 20-bed Transitional Care Unit.

Outpatient trends, however, have been favorable over the past three years. Average length of stay has improved to 3.73 days in year-to-date September numbers from a high of 3.8 days in 2005. While same day surgeries procedures decreased due to a migration of cases to the outpatient surgery center, emergency visits, clinical visits and other outpatient visits show significant increases over the last few years. St. Peter's is less reliant on Medicaid and Medicare than many other facilities within the state. Over 60% of the Hospital's gross patient service revenue is derived from commercial, managed care and Blue Cross/Blue Shield patients.

With respect to the nursing home, utilization trends have been positive, with occupancy well above statewide medians. During the years 2004 through 2006, occupancy levels averaged 95%, and payor mix indicates that 31% of patient days attributed to private pay while 65% represented Medicaid and Medicare patient days.

Ms. Walton stated that, despite the issuance of debt for new money projects, the proposed capital structure and current market conditions will provide St. Peter's with access to cost effective capital, generate cash flow savings and enhance the hospital's liquidity. St. Peter's is expected to issue traditional fixed rate debt, which will further reduce the risk profile of its capital structure. Over the next month, the hospital is scheduled to make presentations to the rating agencies and, possibly, one insurer.

Mr. Tetelman noted that St. Peter's has the state's lowest length of stay figure. Mr. Calandriello attributed that to the fact that a large portion of the hospital's business is in the areas of pediatric and maternity service, which require less stay. He added, though, that when those areas are removed from the equation, St. Peter's still has a lower than average length of stay of approximately 5.5 days.

Mr. Escher asked for some specifics on the actions taken by St. Peter's to reduce its annual deficit. Mr. Calandriello stated that a large problem is patient volume, which the hospital is addressing by heightening amenities and updating aging plant facilities. For example, rooms in the obstetrics area at St. Peter's have two beds when today's patient prefers a single-bed room. On the expense side, St. Peter's is taking a close look at operations to increase productivity and efficiency, addressing areas such as collections and benchmarking. St. Peter's also hired Cambio Consulting.

C. Trinitas Hospital

Mr. George began by introducing Paul Dabrowski, Senior Vice President and CFO of Trinitas Hospital. Trinitas operates two sites in Elizabeth: a 389-bed acute care hospital and a 120-bed nursing home.

Mr. George stated that the working group is structuring a financing on behalf of Trinitas, the proceeds of which will be used to refinance Series 1997 bonds and Series 2000 bonds that have become available through a tender offer. Any Series 2000 bonds not tendered will be refunded on a taxable basis with the ability to convert the bonds to tax-exempt securities at some future point in time. In addition, proceeds will be used to pay the costs of issuance and fund any required debt service reserve. The working group determined that the transaction would be issued as a public offering, with Goldman Sachs serving as senior managing underwriter and Winston & Strawn serving as underwriter's counsel.

The Series 2007 bonds will be issued in an aggregate amount (both tax-exempt and taxable) of approximately $150 million. The bonds will be uninsured and sold on the underlying rating of the Trinitas, which is currently "BBB-" from Standard & Poors and "Baa3" from Moody's. Assuming this rating, the advance refunding of the Series 1997 and Series 2000 bonds will result in present value debt service savings of approximately $11 million or 8.4% of the refunded bonds.

The Series 2007 bonds will be secured by payments made by Trinitas under a Loan Agreement and evidenced by a Note issued pursuant to an existing Master Trust Indenture. The Master Trust Indenture will be secured by a gross receipts pledge and a mortgage on the hospital facilities.

Mr. George reported that Trinitas shows an excess of revenues over expenses for the past two years, with bottom-lines of $4.7 million in 2004 and $5.9 million in 2005. As of September 30th, Trinitas' unaudited information reflected a bottom line of $3.8 million, and from a cash perspective, Trinitas is doing very well with 155 days cash on hand compared to a statewide median of 74 days. Utilization has been fairly flat with inpatient admissions ranging between 14,000 and 15,000. Trinitas' occupancy has been running at approximately 67% for the past two years.

Mr. Tetelman asked about the status of the sale of the Elizabeth General building, to which Mr. Dabrowski stated that Trinitas is under contract with a developer looking to turn the building into condominiums. The developer is currently working on gaining the necessary approvals from the city of Elizabeth, though it is dealing with hurdles regarding capacity and parking. Mr. Dabrowski indicated that the sale is not imminent and negotiations have been going on for roughly a year. However, once the facility is sold, Trinitas will use the funds from the sale to redeem bonds.

Mr. Escher noted that these three presentations were presented for informational purposes only; therefore, no Authority action was required.

NEGOTIATED SALE REQUEST
Solaris Health System

Mark Hopkins reported that Hartwyck at JFK ("Hartwyck"), a New Jersey not-for-profit corporation, signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to construct a new 180-bed long-term care facility, and pay a portion of the costs of issuance related to the bonds. With costs of issuance, Hartwyck is seeking to finance a total of approximately $25,000,000 through the Authority.

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

The construction of Hartwyck is expected to reduce the number of beds at JFK Hartwyck at Edison Estates ("Edison Estates"), a 358-bed long-term care facility and a subsidiary of Solaris. Edison Estates currently exceeds the Department of Health and Senior Services maximum size requirements of 240 beds. Therefore, once Hartwyck is constructed, the long-term care beds at Edison Estates would be reduced to 178.

Mr. Hopkins noted that, as a start-up facility, Hartwyck does not have prior financial information. However, management projects the facility will generate excess revenues over expenses of $77,000 in the first year of operation. Furthermore, Hartwyck expects to receive mortgage insurance on the bonds from the Federal Housing Administration through Section 232 of the National Housing Act, which could provide the bonds with a "AAA" rating.

Hartwyck asked that the Authority permit the use of a negotiated sale based on: (i) the sale of a complex or poor credit; and (ii) market volatility. Since these reasons justify a negotiated sale under the Authority's Executive Order #26 policy, staff recommended the consideration of the resolution, included in the meeting materials, approving the use of a negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins added that, in anticipation of the members' approval, and after performing a competitive process, Hartwyck selected Cain Brothers and Company to serve as Senior Managing Underwriter for the bonds. Additionally, Hartwyck researched several law firms from the Authority's qualified list and requested and received the Attorney General's approval to have Windels, Marx, Lane & Mittendorf serve as bond counsel.

Mr. Tetelman moved to approve the pursuit of a negotiated sale on behalf of Solaris; Dr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-89
(attached)

FINANCIAL PRINTING CONTRACT
Assumption by Bowne & Co.

Michael Ittleson reminded the Members that the Authority entered into a two-year contract in September 2005 with St. Ives Financial for the printing of preliminary and final official statements and related documents. The contract runs from November 1, 2005 through October 31, 2007 and allows for three additional one year extensions upon approval of the Authority.

However, on January 16, 2007 St. Ives Financial was acquired by Bowne & Co. Staff asked the Attorney General's Office to review the Authority's contract and the copy of a letter received from St. Ives regarding the acquisition in order to ascertain whether or not the acquisition is permitted under the contract. Deputy Attorney General Cliff Rones indicated that "the assumption of the contract by Bowne is not automatic, but can be authorized by the Authority."

Because the core group of people at St. Ives with whom the Authority has worked remains in place, the same location using the same facilities will continue, and all aspects of the Authority's current contract will be honored (which includes the pricing schedule), staff recommended that the Members authorize the assumption of the contract by Bowne & Co. Dr. Cohen offered this motion to authorize the assumption; Mr. Tetelman seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-90

WHEREAS the Authority's financial printer, St. Ives Financial, has been acquired by Bowne & Co. in January of 2007; and,

WHEREAS the Authority's professional contacts at St. Ives, the location of the printing company, and the specifics of the contract will remain consistent throughout the life of the contract during and after the acquisition;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby authorizes Bowne & Co.'s assumption of the Authority's St. Ives Financial Printing contract.

AUTHORITY EXPENSES

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

AB RESOLUTION NO. GG-91

WHEREAS, the Authority has reviewed memoranda dated February 22, 2007, 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 $811,419.68, $62,584.23 and $91,216.79 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. The Certificate of Need and CHAPA requests relating to the St. Mary's transaction have all received final approval, thanks to the diligence of working group members from St. Mary's, PBI, and their respective counsels.
2. Jennifer Velez, Esq. was nominated by Governor Corzine to serve as Commissioner of the Department of Human Services, which makes her an Acting Commissioner and ex-officio Member of the Authority. While she had been previously named to serve as Executive Director for the *Commission on Rationalizing New Jersey's Health Care Resources*, she will now be serving as a Member of the Commission instead. Authority staff has not yet been informed of a replacement for the role of Executive Director to the Commission.
3. The Governor has nominated M. Ulysses Lee, Esq. to serve as an Authority Member. His service in this role requires yet-to-be-received confirmation by the Senate.
4. The Authority will be holding an Audit Committee meeting on Tuesday, March 6, 2007 at 10:00 a.m. to review the draft audit with the auditors.
5. Senior Staff prepared a draft outline of topics to be discussed at an Authority Member retreat. Based on the length of the list of topics, staff believes that the retreat will take approximately two days. By March 1st, Members should provide staff with any other discussion topics that would be helpful, as well as information on their availability for the first week of June so that staff may begin planning the retreat.

6. The *Commission on Rationalizing New Jersey's Health Care Resources* held its first meeting on January 26th in the Authority board room. It will be holding its second meeting here, as well, on February 23rd. The first meeting went very well, thanks in part to the help of the Authority's support staff.

   Additionally, Steve and Mark have been providing some support to the Commission and its consultant. As a result, the Authority has also been incurring some administrative costs, e.g. parking, copying, phone, refreshments, etc. While the administrative costs associated with our support of the Commission have not yet caused the Authority to exceed its budget in any area, the Authority may have to slightly increase the budget for certain items shortly. Staff plans to present a request for an appropriate amendment to the budget at the March or April meeting.

Mr. Escher asked for more specifics on the Authority's assistance to the Commission, to which Mark replied that staff has provided administrative support such as hosting a conference call and provided lunch to the consultants for a briefing meeting. Also, while it was not originally planned that the Commission would use the Authority offices for its meetings, it seems that the meetings may be held in the Authority's board room going forward.

EXECUTIVE SESSION

At this point, as permitted by the Open Public Meetings Act and the Authority's By-Laws, Mr. Escher asked the Members to meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General. Mr. Jackson offered a motion to enter the session; Dr. Cohen seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-92

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. In a discussion introduced by Dr. Cohen, the Members shared a concern regarding possible liabilities and/or conflicts of interest, in the event that a borrower under consideration by the Commission approaches the Authority for a financing.

To what kind of information will the Authority have access from this Commission, given Dr. Jacobs' membership on the panel and the active participation of certain staff members? How can/should the Authority respond to this information in its own business dealings? Though it was noted that the Commission does not have the power to close a hospital nor is it likely that the Commission will even name hospitals that should be closed, there remains concern about the flow of information between the Commission and the Authority. Members recommended staff pursue these types of questions with the Commission's counsel, John Jacobs.

As there was no further business to be addressed, Mr. Tetelman moved to adjourn the meeting, Dr. Cohen seconded. The vote was unanimous, and the motion carried at 11:45 a.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY MEETING HELD ON FEBRUARY 22, 2007.

Dennis Hancock
Assistant Secretary