Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on October 23, 2008 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 (Chairing as Vice Chair), Public Member; Bill Conroy, Designee of the Commissioner of Health and Senior Services; Maryann Kralik, Designee of the Commissioner of Banking & Insurance; and, Eileen Stokley, Designee of the Commissioner of Human Services.

The following **Authority staff members** were in attendance:
Mark Hopkins, Dennis Hancock, Lou George, Jim Van Wart, Wanda Lewis, Ron Marmelstein, Suzanne Walton, Susan Tonry, Carole Conover, Michael Ittleson, Marji McAvoy, Bill McLaughlin, Edwin Fuentes, and Stephanie Bilovsky.

The following **representatives from State offices and/or the public** were in attendance:
Reverend James Colvin, E. Salvinate, Nancy Pinowar, Tamay Pritchard, John Pritchard, Thelma Barnes, Rosalind Standard, Jamie McGeary, Jayme H. Beaver, Morris Scott, Vera Harrell, Lilly Hardy, Gayle Junor, community of Plainfield; Stacy Sonnenberg, Goldman Sachs; Maryann Kicenuik, Gary Walsh, Windels Marx Lane & Mittendorf; Greg Adams, Holy Name Hospital; Liza Wolf, Cozen O'Connor; Adam Beder, Richard Smith, Henry Ferraioli, Solaris Health System; M. Jeremy Ostow, Tricia Gasparine, McManimon & Scotland, L.L.C; Scott Kobler, Rich Nolan, McCarter & English; Jan Blazewski, Bryan Lodigiani, Cain Brothers; Jack Swire, Wachovia; Joseph Neal, Authorities Unit; and Robert A. Romano, Clifford T. Rones, Office of the Attorney General.

CALL TO ORDER

Gus Escher called the meeting to order at 10:04 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 22, 2008 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

September 25, 2008 Authority Meeting

Minutes from the Authority's September 25, 2008 meeting were presented for approval. Ms. Stokley made a motion to approve the minutes; Mr. Conroy seconded. Mr. Escher voted yes, Mr. Conroy voted yes, Ms. Kralik voted yes, and Ms. Stokley voted yes. The motion to approve the meeting minutes passed.

MODIFICATION TO THE AUTHORITY'S QUALIFIED BANKER'S LIST

Mr. Escher stated that, as a result of ongoing acquisitions in the banking industry, the Authority's Qualified Banker's List has been modified several times this year. He stated that staff recommends the removal of Lehman Brothers from the list due to Lehman's recent acquisition by Barclays.

Ms. Stokley moved that Lehman Brothers be removed from the Authority's Qualified Banker's List. Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-27

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby removes Lehman Brothers from its list of Qualified Bankers as a result of Barclays' acquisition of Lehman Brothers.

APPROVAL OF MORTGAGE SERVICING FEES FOR FHA-INSURED BOND ISSUES

Jim Van Wart reminded the Members that the Authority has been an approved Mortgage Servicer for FHA Section 142 and 232 projects for many years and has provided mortgage servicing for all of the Authority's FHA-insured issues. The Authority is currently the mortgage servicer for the Englewood Hospital and Medical Center's Series 2002 Bonds.

The Authority has historically taken over the Mortgage Servicing responsibility upon completion of the final endorsement process, which usually occurs when the construction of the project is completed. There can be delays in the final endorsement process, as in the case of Jersey City Medical Center, where final endorsement hasn't yet taken place even though construction has been finished for several years.

Historically, the Authority has charged a mortgage servicing fee of five basis points per year computed on the declining mortgage balance. However, as the Authority prepares to issue bonds on behalf of Capital Health System in the approximate amount of $850 million, Staff feels that five basis points would be excessive without a cap. Therefore, he recommended on behalf of staff that the Authority cap to its mortgage servicing fee so that the mortgage servicing fee for FHA issues would be five basis points per year on the declining mortgage balance with a maximum fee of $150,000 per year.

Mr. Hopkins recommended that the fee cap be adjusted annually based on the average of the CPI-U for the New York City and Philadelphia regions.

Mr. Escher asked if the cap would affect any of the Authority's current FHA-issues, to which Mr. Van Wart replied that none of the Authority's current fees are high enough to be capped.

Mr. Conroy moved to cap the Authority's mortgage servicing fee as recommended by staff. Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-28

NOW, THEREFORE, BE IT RESOLVED, that, going forward, the Authority's mortgage servicing fee for FHA issues will be five basis points per year on the declining mortgage balance with a maximum fee of $150,000 per year;

BE IT FURTHER RESOLVED, that this cap will be adjusted annually based on the average of the CPI-U for the New York City and Philadelphia regions.

EXECUTIVE SESSION

At this point, Mr. Escher asked the Members to meet in Executive Session, as permitted by the Open Public Meetings Act and the Authority's By-Laws, to receive some advice from the Attorney General's office. He noted that the results of this discussion will be made public when the need for confidentiality no longer exists. Ms. Stokley moved to meet in Executive Session; Ms. Kralik seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-29

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 receive some advice from the Attorney General's office,

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.

TEFRA HEARINGS & CONTINGENT BOND SALES

A. Holy Name Hospital

Mr. Escher stated that the following portion of the meeting will be considered a public hearing in connection with the proposed issuance of bonds on behalf of Holy Name Hospital. This hearing took place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

As a public hearing, Mr. Escher welcomed everyone to participate in the discussion, but first asked Suzanne Walton to bring the Members up to date on the transaction.

Ms. Walton began by introducing Greg Adams, Senior Vice President and Chief Financial Officer of Finance for Holy Name Hospital. She reminded the Board Members that, at the May Authority meeting, Holy Name Hospital ("Holy Name") received approval to move forward with a negotiated private placement. She stated that today she would be seeking the Members' approval of a contingent sale of bonds on Holy Name's behalf in an aggregate principal amount of $35,000,000.

Ms. Walton stated that the proceeds of the bonds would be used to currently refund a portion of the Authority's outstanding Series 1997 Bonds, to refinance a taxable loan and to pay the related costs of issuance. She noted that the financing will be structured as a variable rate transaction and will bear interest at an index floating rate from the date of closing to final maturity unless converted to an alternate rate as provided in the Trust Indenture. The Index Floating rate equals the sum of the Securities Industry and Financial Markets Association Index, commonly referred to as the "SIFMA" Index plus a spread of 145 basis points determined initially on the closing date and on each weekly reset date; provided that the Index Floating Rate will not exceed the lesser of 12% and the maximum interest rate permitted by law. The bonds will be privately placed with Bank of America, NA and will constitute parity obligations secured by the mortgaged property and gross receipts of the hospital for the equal benefit of the remaining holders of the Series 1997, Series 2006 and Series 2008 Bonds. In addition, the term sheet offered by Bank of America gives the Bank the right to put the Bonds in five years.

Holy Name has agreed to provide an initial disclosure document and to provide continuing secondary market disclosure for the life of the bonds. Therefore, in accordance with Authority policy, the Authority will require an Investor Letter, as in the past; however the letter will not require indemnification language or the need for similar investor letters from future bondholders.

Ms. Walton further indicted that, during the last month and a half, the short-term market has been extremely volatile. Interest on seven-day variable rate bonds has moved dramatically higher. The Federal Government proposed a plan which is hoped will help restore rates to their historic levels, but there is no assurance as to how long that might take. The SIFMA index jumped from 1.79% on September 10th to a high of 7.9% on September 24th and had fallen to 2.28% as of yesterday. Holy Name has decided to continue with the financing.

Ms. Walton then turned the presentation over to bond counsel to outline the resolution and offered to answer any questions the Members may have regarding the transaction after bond counsel's presentation.

BOND RESOLUTION

Gary Walsh, Esq. of Windels Marx Lane & Mittendorf stated that the Bond Resolution authorizes the issuance of the Series 2008 bonds in an aggregate principal amount not to exceed $35 million and shall bear interest initially at an Index Floating Rate not to exceed seven percent (7.0%) per annum and, thereafter, the interest rate on the Series 2008 Bonds shall not exceed twelve percent (12.0%) per annum. The Bonds will have a final maturity of no later than July 1, 2020 and will be subject to redemption prior to maturity on such terms and conditions, as shall be set forth in the Trust Agreement; provided, that the redemption price may be no greater than 105%. It authorizes the execution of a Bond Purchase Agreement prior to the close of business on January 21, 2009.

The Trust Agreement also provides that the Bonds are subject to an optional put by the holders thereof upon (i) the occurrence of an event of default under the Trust Agreement or a separate Continuing Covenant Agreement between the holders and the Hospital or (ii) at the end of the fifth anniversary date of the Bonds. The Bonds are also able to be converted to other variable rate and fixed rate modes upon the satisfaction of certain conditions, including the approval, at such time, of the board of the Authority. These modes are similar to the types of modes that the Authority has approved in the past with respect to publicly offered transactions. Such flexibility in the Trust Agreement has not been provided before by the Authority in private placement transactions. The reason for providing flexibility within the documents is to potentially permit a conversion that will not constitute a reissuance under the federal tax laws.

As the Authority has seen in the past year with respect to certain variable rate products, having certain flexibility within the documents can be beneficial when confronted with unforeseen circumstances in the financial marketplace. During this period, the Internal Revenue Service has also expanded its definitions of the types of conversion activities that would not constitute a reissuance for federal tax purposes. Although, because of the private placement of these Bonds, it is not anticipated that a conversion would occur, the board is being asked to approve the inclusion of this type of flexibility so that, if unforeseen circumstances occur, there would be the potential of converting to other mode structures without constituting a reissuance for federal tax purposes.

The Bond Resolution approves the form of the Bonds, the Trust Agreement and Third Supplement, the Direct Purchase Memorandum and Letter of Instructions and authorizes the Authorized Officers of the Authority to execute such documents in the form presented to the

Authority with such changes as counsel may advise and the executing Authorized Officer may approve. The Bond Resolution further appoints The Bank of New York Mellon as Trustee and Tender Agent for the Bonds. 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 effectuate the execution and delivery of the documents authorized under the Bond Resolution and the completion of the Refunding and the issuance and sale of the Series 2008 Bonds.

Mr. Conroy asked about the impact of this transaction on the hospital's bottom-line, to which Mr. Adams and Jan Blazewski jointly replied that the bonds that are being refunded were issued as part of a total return swap that was done with UBS for a savings to the hospital of approximately 10%. This private placement would restructure that swap yielding a lesser savings for the hospital of 5.2%, or approximately $2.7 million. However, the restructuring is necessary due to recent activity within the banking industry.

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

AB RESOLUTION NO. II-30

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 VARIABLE RATE DEMAND REVENUE BONDS, Holy Name Hospital Issue, Series 2008."

Mr. Escher then closed the public hearing on behalf of Holy Name Hospital in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended.

B. JFK Medical Center Obligated Group

Mr. Escher stated that the following portion of the meeting will be considered a public hearing in connection with the proposed issuance of bonds on behalf of JFK Medical Center Obligated Group. This hearing took place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

As a public hearing, Mr. Escher welcomed everyone to participate in the discussion, but first asked Mark Hopkins and Bill McLaughlin to bring the Members up to date on the transaction.

Mr. Hopkins took the opportunity to provide a brief background of the purpose of the TEFRA Hearing, the specific financing program, and the Authority's action at this meeting. He stated that the Authority will consider authorizing, with certain contingencies, a financing for three borrowers: The Community Hospital Group, Inc. which does business as JFK Medical Center, Hartwyck at Oak Tree, Inc., and Muhlenberg Regional Medical Center. These borrowers will be referred to going forward as the JFK Medical Center Obligated Group. He also noted that reference may be made to Solaris Health System, which is the borrower's corporate parent.

The financing that is being considered for the JFK Medical Center Obligated Group is a type of financing authorized by the State's Hospital Asset Transformation Program ("HATP"), which is part of the Authority's enabling legislation, and which permits the State to pay principal and interest on the bonds, subject to appropriation, if certain criteria are met. It should be noted that the JFK Medical Center Obligated Group will be required, under a loan agreement (secured by a mortgage), to pay an amount equal to the principal and interest on the bonds to the

Authority. The Authority will then pass those payments on to the State Treasurer, making the transaction revenue neutral to the State.

The HATP was established in 2000 after it became clear that the state had several over-bedded areas that negatively impact the financial operations of the other hospitals in the area. A 1999 State Commission recommended that the closure of one or more hospitals may strengthen the healthcare delivery system as a whole. Therefore, one of the criteria to use the program is the closure of acute care services at a specific location. The State-backing was recommended as a result of the recognition that the stranded indebtedness of the closed hospital may cause undue financial distress to surviving hospitals in its system.

While the Authority is empowered to issue bonds under the HATP, it is not involved in making the decision on whether or not a hospital can close its acute care services. That decision is made at the Department of Health and Senior Services through the Certificate of Need process. In this case, the Commissioner has approved the Certificate of Need Request to close acute care services at Muhlenberg Regional Medical Center with numerous conditions that must be met by the JFK Medical Center Obligated Group and the Solaris Health System.

Under the Internal Revenue Code, a public hearing is required when tax exempt bonds are issued to benefit non-governmental entities. As such, the Authority is conducting this hearing to provide an opportunity for the public to comment on the proposed issuance of tax-exempt bonds for this project.

Bill McLaughlin then introduced Richard Smith – Senior Vice President and Chief Financial Officer from JFK Medical Center Obligated Group ("JFK").

He stated that staff has been working on a financing for the benefit of JFK under the HATP. The elimination of acute-care services at the Muhlenberg Regional Medical Center ("Muhlenberg") meets the eligibility requirements for using the Program. The Treasurer has approved entering into a contract with the Authority, which will provide the security for a bond issue approximating $169 million. JFK will enter into a loan agreement with the Authority, which provides the covenants under which JFK agrees to pay the debt service on the bonds.

He noted that a request for a Certificate of Need to terminate acute-care services at Muhlenberg was filed and a Certificate of Need was granted for the closure on July 29, 2008.

The proceeds of the financing will be used to: refund the Authority's Variable Rate Composite Program - JFK Medical Center Project Series 2005 A-3; refund the Authority's Variable Rate Composite Program – Community Hospital Group Series 2003 A-1; refund the Authority's Muhlenberg Regional Medical Center Issue, Series 2000; refund the Authority's JFK Medical Center/Hartwyck at Oak Tree Obligated Group Issue, Series 1998; refund the Authority's JFK Health Systems Obligated Group Issue, Series 1995; refund the Authority's JFK Health Systems Obligated Group Issue, Series 1993; fund capital improvements at the JFK Medical Center related to the closure of Muhlenberg; fund capitalized interest; and pay related costs of issuance.

Given that the working group worked to finalize documents over the past week, the documents provided in the mailing package to the Members had been adjusted. Specifically, the Bond Resolution has been updated to reflect the following changes:

- Specific authorization for staff to solicit and purchase advertising to support this transaction, if necessary;
- Contingencies related to interest rates and underwriter discount;
- Expanded redemption provisions that include a "make whole" premium; and,
- (added by Mr. Hancock) Additional limitations on the disbursement of funds related to the new money proceeds.

He then asked bond counsel to present the Bond Resolution.

BOND RESOLUTION

Tricia Gasparine of McManimon & Scotland, L.L.C. stated that the Bond Resolution authorizes the issuance of State Contract Bonds (Hospital Asset Transformation Program) Series 2008B Bonds in an aggregate principal amount not in excess of $169,000,000. The bonds are expected to be issued in two sub-series, the tax-exempt Series 2008B-1 and the federally taxable Series 2008B-2 (collectively, “Series 2008B Bonds”).

The Series 2008B-1 Bonds will bear interest at a fixed rate to maturity at a true interest cost not to exceed 10.00% and will mature no later than October 1, 2038. The Series 2008B-1 Bonds may be subject to redemption prior to maturity if set forth therein, at a redemption price no greater than 105%; provided, however, that at the option of the Authority, any Series 2008B-1 Bond may be subject to optional redemption pursuant to a “make whole” provision, if and as provided in the Series Certificate.

The Series 2008B-2 Bonds will bear interest at a fixed rate to maturity at a true interest cost not to exceed 12.00% and will mature no later than October 1, 2038. The Series 2008B-2 Bonds may be subject to redemption prior to maturity if set forth therein, at a redemption price no greater than 105%; provided, however, that at the option of the Authority, any Series 2008B-2 Bond may be subject to optional redemption pursuant to a “make whole” provision, if and as provided in the Series Certificate.

The Series 2008B Bonds will be secured by a contract with the State Treasurer under the New Jersey Hospital Asset Transformation Act pursuant to which the State Treasurer will pay debt service on the Series 2008B Bonds, subject to annual appropriations being made by the State Legislature for such purpose. Pursuant to the Loan Agreement, the Borrowers are obliged to re-pay debt service on the Series 2008B Bonds and will provide mortgages on certain of their properties and a gross revenue pledge.

The Bond Resolution approves the form of and authorizes the execution of a Purchase Contract with Goldman, Sachs & Co., Inc., as manager for the Series 2008B Bonds. The Bond Resolution also approves the form of the Series 2008B Bonds, Preliminary Official Statement, State Contract, Escrow Deposit Agreements, Continuing Disclosure Agreement, Solaris Agreement, and the Loan Agreement. The Bond Resolution appoints The Bank of New York Mellon as Bond Trustee, Bond Registrar and Paying Agent. In addition, it authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or advisable in connection with issuance, sale and delivery of, and security for the Series 2008B Bonds.

Mr. Escher noted that members of the public had signed in to provide comment on the financing. These individuals were invited to speak and the comments were as follows:

1. <u>Tamay Pritchard</u> - Ms. Pritchard identified herself as a resident of Plainfield since 1960 who has been comfortable with Muhlenberg’s services for more than 40 years. She believes that the asset transformation was not done out of a need to close Muhlenberg but rather as a strategy orchestrated by JFK Medical Center to refund outstanding debt and receive funds for new money projects. She stated that Muhlenberg was essential and is essential, as can be seen by the new funds needed to upgrade JFK in response to the closure. She expressed concern that health care in this country has gone from service-focused to revenue-focused and major victims of this transition are Hispanic and African American communities. She stated that the members of the community who can no longer go to

Muhlenberg are going to Somerset Medical Center and Overlook Hospital, therefore, perhaps those facilities should be getting the funds needed to upgrade rather than JFK. Ms. Pritchard showed local train and bus schedules to demonstrate that there is no direct public transportation from Plainfield to Edison, and the direct trains from other affected areas have limited hours. She also expressed concern about the level at which JFK will comply with the mandates of the closure. For example, there were a limited number of Spanish pamphlets available. She finished by saying that she did not believe the extra funds should go to JFK but rather they should be on a general ballot for the population to distribute.

2. John E. Pritchard – Mr. Pritchard stated that Muhlenberg needs to be reactivated as a full service regional medical center and LZ as a matter of people's lives, but added that, in its reactivation, it should be put under capable management. He said Solaris Health System failed the community by closing Muhlenberg. He expressed concern that if another large scale attack occurred such as 9/11, the community would be devastated without a hospital like Muhlenberg. He stated that not only Hispanics and African Americans are affected by the closing, but ALL people, from North Plainfield, South Plainfield, Fanwood, Scotch Plains, Warren, Piscataway and numerous other towns. He plead with the Members to vote No to giving JFK new funding and asked them to reactivate Muhlenberg and put it in capable management, not Solaris' hands. He expressed that the sooner Muhlenberg is reactivated as a full service hospital, the better off the community will be for all of the towns mentioned. Mr. Escher asked for clarification of the term "LZ", which Mr. Pritchard identified as a helicopter landing zone.
3. Nancy Pinowar – Ms. Pinowar stated that she would have liked to have had access to more documentation prior to today's meeting. She questioned the need for JFK's increased bed capacity when the System had one of the best facilities running in Muhlenberg before it decided to close it. She noted that when JFK was founded, it modeled many of its practices after the then successful Muhlenberg model. She expressed disgust that the executives of Solaris were awarding themselves with astronomical raises while they claimed to be forced to close Muhlenberg for financial reasons. Looking at the executives' publicly-accessible 990 forms reveals six-figure increases within one year during these times of strife. She stated frustration over the thought of tax-payers paying these ridiculous raises through the issuance of tax-exempt, state-appropriated bonds. She asked the Authority to consider making limitations on the executives' salaries if they are to approve State-backed bonds and discouraged the movement of hospitals away from a health care model and towards a business model.
4. Reverend James Colvin – Rev. Colvin first asked for clarification on the uses of the proceeds, and Mr. Smith confirmed that the project description includes adding 59 new beds to the JFK facility, as well as to expand the emergency department. Rev. Colvin then criticized Commissioner Howard who stated that the area's over bedding is justification for closing Muhlenberg only to allow JFK to then add new beds. He asked why the tax-payers should be asked to fund 59 "superfluous" beds at a cost of approximately $20 million, when those funds could have instead been put towards maintaining Muhlenberg's services. The Reverend cited research suggesting that JFK was dishonest in its financial

reporting of Muhlenberg's losses and said that time will reveal the instability of JFK when it can no longer blame Muhlenberg for its financial losses. He expressed frustration that New Jersey's citizens are on the hook for a company that he finds questionable and shaky.

5. Vera Harrell - Ms. Harrell introduced herself as a resident of Plainfield and a black woman. She gave an emotional account of an event in which her aunt became ill at a wedding and the ambulance took an hour to get her from the wedding to JFK, an hour in which the aunt could not breathe and had to be resuscitated twice, all this while having to drive right past the Muhlenberg facility. She stated that area hospitals are overflowing with people, yet Muhlenberg had to close. Ambulances take an hour to get to JFK, yet Muhlenberg had to close. Buses do not run between Plainfield and JFK between midnight and 8:30 a.m. People who can't afford a car have no access to transportation. Those who once walked to Muhlenberg no longer have that option. She questioned what she is supposed to do when her daughter gets ill and she can't get to the hospital. She stated that people have died since Muhlenberg closed *because* Muhlenberg closed. She stated that she has no problem with JFK receiving the bond proceeds, as long as they kept Muhlenberg open. She asked the Members to think about the poor people who aren't privileged enough to have a car and reminded the Members that they may not understand that plight. She said that if JFK's bond issue is approved, it should have to keep Muhlenberg open. She added that Muhlenberg was also a good facility for the local population to give birth, stating that now pregnant minorities are being squeezed out of other hospitals and being forced to give birth in ambulances on the way to the hospital and in doorways of overfilled hospitals instead of in a safe facility. Mr. Escher asked Ms. Harrell if she had participated in the Certificate of Need process, to which she replied that she had and she described her aunt's situation there also.
6. Gail Jones – Ms. Jones stated that she just recently heard the CEO of AIG and Paul Krugman, the recent recipient of the Nobel Prize for Economics, on two separate accounts, discussing the high costs of bond issues, and she couldn't help but feel that there is some concern with this one as well. She stated that when she looked at the lending rate yesterday it was close to 9% and she asked if JFK can truly support that interest rate if it is in fact in dire financial straits as it claimed to be in order to close Muhlenberg. At this point, Mr. Hopkins clarified that that the market is in extreme flux these days, but, in light of a similar issue in a similar recent market, the rate would likely be in the vicinity of 6.75%. Ms. Jones stated that 6.75% on $169,000,000 is a lot of money. She added that these issues take time to go to closing, often approximately 30 days, and she noted that the market could dictate an even higher rate at that point. She also stated that, in response to the question of why Muhlenberg should be closed and not the JFK facility, one usually hears that the population of Edison is far larger than Plainfield's population. She stated that this fact, however, does not account for the 154,000 people who used Muhlenberg in the surrounding 13 towns, adding that, since it was a tri-county hospital, the actual number of people who used the hospital was more in the vicinity of 200,000. She asked what series bonds were being refunded, to which Mr. Hopkins replied that Authority bonds issued in 1993,

1995, 1998, 2000, 2003 and 2005 would be refunded through the issue for an approximate total of $120 million. Ms. Jones reiterated concern for JFK's ability to afford the interest and principal on the issue. She noted that, due to the payment schedule, JFK would owe twice over $300,000 in 2009, in addition to a $675,000 payment due in July (which means it would have to pay $1 million in July alone).

Mr. Escher noted that no other names were listed as public members who wished to speak; however, he opened the floor to anyone else who may have something to add. There were no further comments. Mr. Escher then stated that it is not the Authority's role to consider the hospital's certificate of need. The role of this Authority as a funding source, and this hearing as a TEFRA hearing, is to ensure that laws and regulations are followed and procedures are adhered to. Since all regulations and procedures appear to have been followed, he will be voting in the affirmative for the approval of a contingent sale of bonds.

Mr. Escher asked the Members' pleasure with respect to the adoption of the Bond Resolution. Mr. Conroy moved that the document be approved. Ms. Stokley seconded.

AB RESOLUTION NO. II-31

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 STATE CONTRACT BONDS (HOSPITAL ASSET TRANSFORMATION PROGRAM), SERIES 2008B."

Mr. Escher then closed the public hearing on behalf of JFK Medical Center Obligated Group in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended.

AUTHORITY EXPENSES

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

AB RESOLUTION NO. II-32

WHEREAS, the Authority has reviewed memoranda dated October 16, 2008, 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 $193,399.09, $66,576.44 and $643.54 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 staff reports, including the Project Development Summary, Third Quarter Budget Report, Cash Flow Statement, and the Legislative Advisory were distributed to the Members.

Mr. Hopkins then offered the following items in his Executive Director's Report:

1. The Finance Committee met on Friday, October 10th at 10:30 a.m. and considered the Authority's 2009 proposed budget. Due to time constraints, staff elected to postpone discussion of the budget to the Authority's November meeting.
2. Similarly, staff had hoped to discuss in detail how volatility in the credit market is affecting the borrowers under the Authority's Capital Asset Program. Briefly, the interest rates the Authority has had to charge to CAP borrowers were 4.05% for July, 4.59% for August, 9.12% for September and 9.9% for October. Two factors contribute to the high rates in September and October. First, the credit market tightening resulted in significantly higher weekly variable rates during that time. Second, only $35 million is currently lent out under the CAP program. The bonds were issued for $100 million and the money that has not been lent out is earning around 2% in the NJ Cash Management Fund. As a result, the CAP Borrowers must pay for not only the interest rates on their own loans but the difference between the interest earned and the interest charged on the CAP funds that have not been lent out.
3. In Authority News, Steve Fillebrown (Director of Research, Investor Relations and Compliance) is speaking at the annual NJ Institutional Investors Conference today in Newark, and Jim Van Wart (Director of Operations and Finance) and Bernie Miller (Construction Manager) will be participating on panels at the Health Care Materials Management Society of New Jersey's conference on hospital construction being held in Jamesburg on November 5th.
4. St. Barnabas Health Care System has selected CitiGroup to serve as Senior Underwriter for its bond transaction that is in the works.

As there was no further business to be addressed, Mr. Conroy moved to adjourn the meeting, Ms. Stokley seconded. The vote was unanimous and the motion carried at 11:35 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 OCTOBER 23, 2008.

Dennis Hancock
Assistant Secretary