Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on August 23, 2012 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** *were in attendance:*
Bill Conroy, Designee of the Commissioner of Health (Chairing); Robert Bollaro, Designee of the Commissioner of Human Services; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Dr. Munr Kazmir, Public Member; Elisa Charters, Public Member and Suzette Rodriguez, Public Member (via telephone).

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Steve Fillebrown, Ron Marmelstein, Suzanne Walton, Michael Ittleson, Carole Conover, Linda Hughes, Bill McLaughlin, Marji McAvoy, Arvella King, Edwin Fuentes, Carl MacDonald, Miriam Bolger, and Christopher Kulick.

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones, Deputy Attorney General; John Cascarano, Governor's Authorities Unit; Ryan Feeney, NJ Treasury Department; Robert Palermo and Chris Everitt of Meridian Health; Eric C. Eberth of Drexel Hamilton; Brian Carter of Wells Fargo Securities; John Kelly of Wilentz, Goldman & Spitzer; Paul Murphy and Bob Valentine of Jersey City Medical Center; Gary Walsh of Windels Marx Lane & Mittendorf, LLP; Phil DelVecchio of Merrill Lynch; Nick Warner of Wells Fargo; Deborah Beards of House of Good Shepherd; Dr. James J. Kostinas of David Kostinas; and Doug Placa of JNESCO.

CALL TO ORDER

Executive Director Mark Hopkins 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 24, 2012 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and *Courier Post,* enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

Mr. Hopkins suggested that in the absence of the Authority's Chairperson and Vice Chair, a Chair pro tem should be named. Mr. Bollaro nominated Bill Conroy to serve as Chair pro tem for the August 23, 2012 meeting and Dr. Kazmir seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-08

> **NOW, THEREFORE, BE IT RESOLVED,** that, in the absence of the Authority's Chairperson and Vice Chairperson, William Conroy will serve as the chair pro tem for the August 23, 2012 Authority meeting.

1. **APPROVAL OF MINUTES**
   July 26, 2012 Authority Meeting

Minutes from the Authority's July 26, 2012 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Ms. Charters seconded. Mr. Conroy, Mr. Bollaro, Ms. Kralik, Dr. Kazmir and Ms. Charters voted yes, Ms. Rodriguez abstained, and the motion carried.

2. **ADDITION TO THE APPROVED BANKERS LIST**

Mr. Conroy introduced Eric Eberth, Vice President of Municipals from Drexel Hamilton. Ms. Suzanne Walton then informed Members that Drexel Hamilton, LLC has submitted a request to be added to the list of approved bankers as a co-manager.

Drexel Hamilton, LLC is a full service institutional broker dealer and certified Service Disabled Veteran Owned and Operated Broker Dealer ("SDVOB"). Founded in Philadelphia in 2007, the firm was created with the dual purpose of giving service-disabled veterans the opportunity to provide their skills to the financial services industry, while providing clients with a means to satisfy their Federal Service Disabled contracting goals. A joint mentorship between Drexel Hamilton and the nonprofit Wall Street Warfighters Foundation provides veterans with the necessary financial and trading education to become licensed brokers.

In 2010, Drexel expanded its operations and opened a fixed income office in New York trading in government, agency, municipal and corporate bonds, as well as providing underwriting services. In addition to their Pennsylvania and New York City offices, the firm maintains offices in Illinois, Texas, Florida and North Carolina.

Over the past year, Drexel has participated in over 64 financings where they served in the role of either a co-manager or selling group member. Within the past six months, the firm has served as a co-manager for two bond issues transacted through the New Jersey Transportation Trust Fund Authority and one transaction with The Port Authority of New York and New Jersey.

The firm has reported excess net capital of over $2 million with the ability to leverage that amount to underwrite in excess of $20 million without a backstop. The Authority's primary contacts will be Eric Eberth, Vice President, Municipals and a graduate of the Wall Street Warfighters Foundation and Tom Mead, Managing Director, with over 20 years experience in municipal sales, trading and underwriting.

Based upon the information provided in their Statement of Qualifications, the firm has demonstrated that it is qualified under the Authority's standards to serve in the role of co-manager. Ms. Walton requested the Members' consideration of adding the firm to the approved list to serve as a co-manager.

Dr. Kazmir moved to approve adding Drexel Hamilton to the Authority's qualified bankers list as a co-manager. Mr. Bollaro seconded.

Responding to a question from Mr. Conroy regarding how Drexel Hamilton and the Authority found each other, Mr. Eberth stated that there was a mention in The Bond Buyer of different authorities in New Jersey. Additionally, Drexel Hamilton had done business with other authorities in the State and individuals that were happy with their work in those transactions suggested that the company reach out to the Authority.

As there were no further questions, roll was called. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-09

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority added Drexel Hamilton to the Authority's qualified bankers list as a co-manager.

3. CONTINGENT BOND SALE
Meridian Health System

Mr. Bill McLaughlin introduced Mr. Robert Palermo, Vice President of Finance and Chris Everitt, Accounting Manager, for Meridian Health System. Mr. McLaughlin drew the Members' attention to a new version of the Bond Resolution placed on the table. This version of the Bond Resolution reflected changes to the terminology which denotes the initial interest rate mode for the bonds. The change from "LIBOR Index Rate" to "Direct Purchase Rate" is reflected in Section2 paragraph C; Section 8 Paragraph C; and Section 14 Paragraph C.

Mr. McLaughlin then stated that Staff would be requesting the Members' approval of a contingent sale of bonds on behalf of the Meridian Health System Obligated Group. Meridian Health System is comprised of Jersey Shore University Medical Center, Riverview Medical Center, Ocean Medical Center, Southern Ocean Medical Center, K. Hovnanian Children's Hospital and Bayshore Community Hospital.

This transaction is a "pure refunding," and there will not be an increase in the weighted average maturity from the refunded bonds; therefore, no TEFRA hearing is required.

The proposed transaction will be comprised of three series of bonds: the Series 2012A Bonds will be an approximately $41 million tax-exempt private placement with Bank of America; the Series 2012B Bonds will be an approximately $48 million tax-exempt private placement with TD Bank; and the Series 2012C Bonds will be an approximately $48 million tax-exempt private placement with Wells Fargo.

Proceeds from the Series 2012A Bonds will be used to currently refund all of Meridian's Series 2003B Variable Rate Revenue Bonds; proceeds from the Series 2012B Bonds will be used to currently refund its Series 2007 Tranche III Bonds; and proceeds from the Series 2012C Bonds will be used to currently refund its Series 2007 Tranche IV Revenue Bonds. The new bonds will not have a debt service reserve fund, and the related costs of issuance are not expected to be paid from bond proceeds.

Each series of the Series 2012 Bonds is structured as a multi-modal financing and each series initially will be issued in the Direct Purchase Rate Mode. Although the specific formula for calculating the Direct Purchase Rate is different for each series of bonds, each can be generally defined as a percentage of one month LIBOR plus a spread. If these were priced as of August 1, 2012, the interest rate for the Series 2012A Bonds would have been 0.7339%; for the Series 2012B Bonds, the interest rate would have been 0.9006%; and for the Series 2012C Bonds, the interest rate would have been 0.8680%.

Mr. McLaughlin noted that while the bonds are in the Direct Purchase Mode, the interest rate on the bonds are subject to adjustments upon the occurrence of, among other events, ratings downgrades, determinations of taxability or events of default. Each of the Series of Bonds is subject to mandatory tender five years after their date of issuance, unless an extension of this five year period is agreed to by Meridian and the applicable Purchaser.

Mr. McLaughlin then indicated that his portion of the presentation was concluded and would be turning the presentation over to bond counsel to outline the Bond Resolution.

BOND RESOLUTION
John Kelly of Wilentz, Goldman & Spitzer P.A., informed the Members that the Bond Resolution authorizes the issuance of the tax-exempt Series 2012 Bonds in three separate Series, Series 2012A, Series 2012B and Series 2012C, with an aggregate principal amount not in excess of $41 million for Series 2012A Bonds; an aggregate principal amount not in excess of $48 million for Series 2012B Bonds; and an aggregate principal amount not in excess of $48 million for Series 2012C Bonds. The Bond Resolution provides that the Series 2012A Bonds shall have a final maturity date of no later than July 1, 2033 and the Series 2012B Bonds and the Series 2012C Bonds shall have a final maturity date of no later than July 1, 2038. The Bond Resolution also provides that each Series of the Series 2012 Bonds shall initially bear interest at the Direct Purchase Rate, which is an interest rate based upon one month LIBOR and determined monthly in accordance with a formula set forth in the applicable Trust Agreement. From the date of their issuance until the first interest payment date for each Series of the Series 2012 Bonds, the Direct Purchase Rate shall not exceed 2.00% per annum. Thereafter, the Series 2012 Bonds of each Series shall bear interest at the Direct Purchase Rate or, if converted to another interest rate mode, at the applicable interest rate, all as shall be determined in accordance with the applicable Trust Agreement; provided, however, that in no event shall the interest rate on any Series 2012 Bond exceed 12.00% per annum. Each Series of the Series 2012 Bonds will be subject to redemption prior to maturity as set forth therein, provided, that the redemption price cannot be greater than 105%, except in the case of any “make-whole” redemption of the Series 2012 Bonds. The Series 2012 Bonds will be secured by payments made by Meridian Hospitals Corporation and Meridian Nursing and Rehabilitation, Inc., as applicable, under three separate Loan Agreements with the Authority. The obligations of Meridian under each Loan Agreement with the Authority will be evidenced and secured by Notes issued by the Meridian Obligated Group pursuant to the provisions of a Master Trust Indenture. The Notes will be secured by a gross receipts pledge of the Meridian obligated group. The Bond Resolution also approves the

form of and authorizes the execution of a separate Direct Bond Purchase Agreement with (i) Specialized Lending, LLC, an indirect subsidiary of Bank of America Corporation, for the purchase of the Series 2012A Bonds, (ii) TD Bank, N.A., for the purchase of the Series 2012B Bonds, and (iii) Wells Fargo Municipal Capital Strategies LLC, a wholly owned subsidiary of Wells Fargo Bank, National Association, for the purchase of the Series 2012C Bonds. Each Direct Bond Purchase Agreement must be executed prior to the close of business on November 14, 2012. No disclosure document is being prepared in connection with the issuance of the Series 2012 Bonds and, as a result, the Bond Resolution also requires each purchaser of the Series 2012 Bonds to provide the Authority with a travelling investor letter on or prior to the date of closing.

Additionally, the Bond Resolution approves the form of and authorizes the execution and delivery of (i) the Series 2012A Bonds, the Series 2012B Bonds and the Series 2012C Bonds, (ii) a separate Trust Agreement for each Series of the Series 2012 Bonds, (iii) a separate Loan Agreement with Meridian for each Series of the Series 2012 Bonds, and (iv) a separate Calculation Agent Agreement for each Series of the Series 2012 Bonds by and among the applicable purchaser of such Series, the Authority, Meridian and the Bond Trustee, which provides that the applicable purchaser will perform the functions of the Calculation Agent under the applicable Trust Agreement. Further, the Bond Resolution appoints The Bank of New York Mellon as Bond Trustee, Bond Registrar and Paying Agent for all three Series of the Series 2012 Bonds. In addition, the Bond Resolution also authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Trust Agreements, the Loan Agreements, the Calculation Agent Agreements and the Direct Bond Purchase Agreements, the completion of the refunding and the issuance and sale of the Series 2012A Bonds, Series 2012B Bonds and Series 2012C Bonds.

Mr. Conroy asked if Meridian had done an analysis to determine the impact on the individual hospitals and if they would be affected evenly. Mr. Palermo responded that the current bonds are all variable and are moving to a similar variable mode so there is not a direct impact of variable interest costs, however, the fees are lower moving to direct placement. The other reason for moving forward with this transaction is that in the existing documents there are potential issues with insurance through Assured Guaranty. Although there will be some savings, this action will mainly be taking the bonds out of the market volatility and the potential downgrades of the insurers and the banks.

Mr. Conroy asked the Members' pleasure with respect to the adoption of the Bond Resolution on behalf of Meridian Health System. Dr. Kazmir made a motion to approve the adoption of the Bond Resolution on behalf of Meridian Health System. Mr. Bollaro seconded.

Responding to a question from Mr. Conroy regarding how long they had been looking at this option and if it were a recent decision, Mr. Palermo noted that the direct placement option became available about a year and a half ago. At the time that Meridian started seeing the downgrades coming from Moody’s, Meridian started looking at all of its options.

As there were no further questions, roll was called. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-10

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Bond Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, MERIDIAN HEALTH SYSTEM OBLIGATED GROUP ISSUE, SERIES 2012"

(attached)

4. NEGOTIATED PRIVATE PLACEMENT REQUEST & INFORMATIONAL PRESENTATION
<u>The House of the Good Shepherd</u>

Mr. Mark Hopkins stated that Deborah Beards, the Executive Director of The House of the Good Shepherd was on her way to the meeting, but unfortunately had not arrived yet.

He informed the Members that The House of the Good Shepherd (the "House") signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $15 million, the proceeds of which will be used to refund the 2001 bonds issued by the Authority on behalf of the House and pay the related costs of issuance. Specifically, the House plans to refund its $520,000 serial bond, due on July 1, 2013, which is outstanding at 4.60%; its $5.205 million term bond, due on July 1, 2021 which is outstanding at 5.10%; and its $10.265 million term bond due on July 1, 2031, which is outstanding at 5.20%. The sum of the bonds being refunded is $15.99 million. The House has received and is currently reviewing proposals from two separate banks for this transaction. it is anticipated that the refunding issue will generate savings of approximately 20%.

The House of the Good Shepherd, Inc. is a not-for-profit 501(c)(3) continuing care retirement community located in Hackettstown in Warren County. Founded in 1882, the House provides housing, health care and other related services to elderly residents through the operation of a nursing facility, assisted living, comprehensive personal care and independent senior living units. In addition, The House of the Good Shepherd Foundation, Inc. supports the House in its ability to provide and expand its charitable activities.

In 2001, the Authority issued $19,810,000 in bonds on behalf of the House to fund various renovations, construction and expansion projects to convert its existing residential health care beds to comprehensive personal care beds and to construct 32 new assisted living units on its campus. $15,990,000 of those bonds remain outstanding, all of which will be refunded with the proceeds of the private placement issue.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, The House reported losses from operations in the years 2009 through 2011. Management attributes the losses to the temporary closure of the skilled nursing unit for renovations in 2009 and increased expenses related to nursing FTEs, agency nurses, building repairs and decreased Medicare rates in 2010 and 2011. The bottom line loss in 2011 is tied directly to a loss on investments. Comparative, year-to-date numbers for June are positive, and management is projecting Excess Revenue over Expenses of $263,000 year end.

The House is also well utilized, as reflected in its 84% to 99% occupancy levels throughout the reporting period. The skilled care beds are all dual certified for Medicare and Medicaid. Its assisted living apartments are all private pay. Its comprehensive personal care beds - an older type of assisted living license - accept Medicaid and private pay.

Financial ratios for the House indicate strong liquidity with 611 days cash on hand and low debt.

The House has asked that the Authority permit the use of a negotiated sale based on the sale of bonds for a complex or poor credit and volatile market conditions. These reasons are considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale; therefore, Mr. Hopkins recommended the consideration of the resolution 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.

The House also conducted a competitive process to determine whether to proceed with a private placement or a public offering. Based upon their analysis, a private placement would: (i) reduce costs of issuance; (ii) expedite the issuance of the refunding bonds to capture the current favorable interest rate market; and (iii) generate an average annual savings compared to the refunded bonds of over $300,000 or over 20% in contrast to the issuance of unrated publicly offered bonds, which provide little or no savings over the refunded bonds.

Contingent upon Authority approval to pursue a negotiated private placement, it is anticipated that Staff will be requesting approval of a contingent sale of bonds at the Authority's October Board Meeting.

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

AB RESOLUTION NO. MM-11

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY PRIVATE PLACEMENT TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26."

(attached)

5. REQUEST FOR AUTHORIZATION OF DOCUMENTS RELATED TO BOND DEFEASANCE
Jersey City Medical Center

Mr. Conroy introduced Bob Valentine, Director of Financial Operations and Paul Murphy, General Counsel from Jersey City Medical Center; Gary Walsh, Bond Counsel and Phil DelVecchio, FHA Mortgage Banker.

Ms. Marji McAvoy reminded Members that the Authority issued Jersey City Medical Center bonds in 2001 and 2003 with FHA insured mortgages to build and equip a new replacement hospital in Jersey City.

The bonds were guaranteed by a wrap-around policy with Ambac Assurance Corporation. Ambac lost its triple-A rating in 2008 and stopped writing new business at that time. In November 2010, Ambac Assurance Corporation filed for bankruptcy.

Jersey City Medical Center has informed the Authority that it is undertaking a refunding project consisting of the current refunding of all of the 2001 Bonds and 2003 Bonds through the issuance of Government National Mortgage Association (GNMA) Collateralized Taxable Revenue Bonds. They have a target closing date of September 30.

This action has been made necessary by the fact that there is no longer a qualified bond insurer meeting the established rating standard to provide the wrap-around insurance for the bonds as required by the U. S. Department of Housing and Urban Development (HUD) for tax-exempt bonds.

The latest estimate of savings is roughly 10.5% of the mortgages outstanding, or about $16,000,000.

In order to effect the refunding of the 2001 and 2003 Bonds, it is necessary for the Authority to take certain actions in connection with the defeasance and redemption of the bonds, including the execution and delivery of Letters of Instruction and the assignment by the Authority of the Mortgage Documents securing the 2001 and 2003 Bonds to the new lender. These actions will take place concurrently with and contingent upon the Final Endorsement proceedings of the 2001 and 2003 Bonds.

Members received a revised resolution and draft supporting documents related to the defeasance. Ms. McAvoy requested that Board Members approve the resolution delegating the ability to execute certain documents in connection with the assignment of the Mortgage, the Supplemental Mortgage, Notes, and defeasance of the Series 2001 and Series 2003 Bonds to an Authorized Officer of the Authority.

Responding to a question from Mr. Bollaro regarding the full term of the loan, Mr. DelVecchio noted that the mortgage maturity is 2030 and that will remain the same.

Mr. Conroy asked the Members' pleasure with respect to the adoption of the Resolution on behalf of Jersey City Medical Center. Dr. Kazmir made a motion to approve the adoption of the Resolution on behalf of Jersey City Medical Center. Mr. Bollaro seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-12

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled, "RESOLUTION AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS IN CONNECTION WITH THE ASSIGNMENT OF THE MORTGAGE AND NOTES RELATED TO THE AUTHORITY'S REVENUE BONDS JERSEY CITY MEDICAL CENTER ISSUE (FHA INSURED MORTGAGE), SERIES 2001 AND SERIES 2003 AND THE DEFEASANCE OF SUCH BONDS."

(attached)

Ms. Deborah Beards, Executive Director of The House of the Good Shepherd, joined the meeting. Mr. Hopkins informed her that the Board had voted to approve the request to pursue a private placement transaction for The House of the Good Shepherd. He asked her if she had anything she would like to add. Ms. Beards stated that the House was interested in refinancing in order to reduce its interest rate, save the organization money, and possibly pay off its debt earlier.

6. APPROVAL OF SETTLEMENT WITH WACHOVIA FOR DERIVATIVES

Mr. Hopkins thanked Authority Members for their willingness to include this added item at the Authority meeting. Due to vacations delaying the initial review of this matter, and a deadline that would prohibit it from being presented at the September meeting, he was appreciative that it was able to be considered at the regular meeting as opposed to scheduling a Special Meeting.

He informed Members that an investigation was conducted by Attorneys General of twenty-six states, including the State of New Jersey, which began in the Spring of 2008. The investigation concerned alleged violation of state and federal antitrust and other laws by Providers, Brokers and Advisors involved in the marketing, sale and placement of Municipal Bond Derivatives.

Wachovia Bank, N.A. has agreed to enter into a Settlement Agreement with the Attorneys General. The Attorneys General have alleged in the Settlement Agreement that: (i) certain Wachovia employees participated in an illegal scheme with other Brokers and Providers with whom they had relationships to put their mutual pecuniary interest ahead of their Municipal Bond Derivative clients; (ii) Wachovia and other Providers and Brokers were principal players in the Relevant Conduct and obtained unjust profits as a result; and (iii) the Relevant Conduct caused Issuers in virtually every state, district, and territory in the United States to be paid artificially suppressed rates or yields on Municipal Bond Derivatives. Wachovia has cooperated with the investigation by voluntarily disclosing evidence related to its role in the Relevant Conduct and by agreeing to pay restitution to Eligible Counterparties allegedly injured by the Relevant Conduct.

Following an investigation by the Attorneys General in which they determined that not all Municipal Bond Derivatives entered into by Wachovia were affected by the Relevant Conduct, Wachovia and the Attorneys General entered into the Settlement Agreement whereby, among other things, Wachovia agreed to pay restitution to Eligible Counterparties in return for a Release of claims against Wachovia.

Wachovia has agreed to pay a total of $54.5 million into a fund that will be used to pay restitution to certain Municipal Bond Derivatives Counterparties. The Authority's share of the Settlement has been determined to be $67,790.98. It is believed this amount is related to bonds issued by the Authority on behalf of Catholic Health East.

It is expected that other Providers, Brokers and Advisors involved in Municipal Bond Derivatives will also be entering into Settlement Agreements with the Attorneys General in the future.

In connection with certain bonds issued by the Authority, the Authority has entered into certain Municipal Bond Derivative products including Investment Agreements and Swaps with Providers of such products (the "Municipal Bond Derivatives") on behalf of the health care organizations or governmental entities for which projects were financed with Authority bonds. Because the Authority is a signatory to the Municipal Bond Derivatives, the Authority must execute releases and other documents relating to acceptance or rejection of Settlement Agreements and carry out implementation of the Settlements, if elected.

In order to participate and receive payment under the Wachovia Settlement Agreement, the Authority must timely submit both (i) the Election to Participate form and (ii) the executed Release, no later than October 1, 2012. By signing the Release, the Authority is giving up the right to sue Wachovia for certain claims for damages against Wachovia in the civil class action captioned *In re Municipal Derivatives Antitrust Litigation*. By claiming from the Fund, the Authority will not give up the right to sue any entity other than Wachovia that may also be responsible for injuries related to the Relevant Conduct.

As identified in the Release, the share allocated, if the Authority elects to participate in the Settlement, is $67,790.98

Staff requested the Authority Members' consideration of the resolution delegating to an Authorized Officer of the Authority, after receiving the advice of the Attorney General's Office, to enter into any of the Settlement Agreements resulting from negotiations by the various State Attorneys General with Providers, Brokers and Advisors involved in Municipal Bond Derivatives.

The Authority intends to transfer any amount paid in connection with any Settlement to the affected health care organizations and/or governmental entities on whose behalf the Authority entered into the Municipal Bond Derivatives.

The Attorney General's Office has prepared the Resolution provided to Members and has expressed no objection to the Authority's entering into the Wachovia Settlement or other Settlements.

Based on the advice of Deputy Attorney General Clifford Rones, the Authority will make every effort to reach out to affected parties to determine if they want to accept the settlement before signing an agreement.

In response to a question from Ms. Charters about approximately how many parties does the Authority anticipate reaching out to, Mr. Hopkins answered that when the Authority receives a settlement agreement, it will reach out to the affected organizations. He noted that this specific settlement does not identify the party involved, but the Attorney General's Office believes that it is Catholic Health East so that is the only one that the Authority will reach out to. In response to future settlements, the Authority will research and look at records from the specific time period to determine which parties may have been involved

Mr. Bollaro asked what led to the initial investigation, but that information was not known.

In response to a question from Mr. Conroy regarding the options of the various states and whether this investigation was led by criminal justice, Mr. Hopkins noted that 26 states' Attorneys General have reached this agreement, and the other 24 states may be looking at other options. Mr. Rones added that this was civil litigation and purely monetary. The discussion clarified that this settlement is separate from any enforcement action. The Attorneys General filed suit against the banks, and it's essentially a class action litigation.

Mr. Conroy asked the Members pleasure in approving the settlement with Wachovia for derivatives. Ms. Charters moved to approve the motion. Dr. Kazmir seconded. Mr. Conroy, Mr. Bollaro, Ms. Rodriguez, Dr. Kazmir and Ms. Charters voted yes, Ms. Kralik abstained, and the motion carried.

AB RESOLUTION NO. MM-13

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled, "RESOLUTION OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY CONCERNING CERTAIN LITIGATION SETTLEMENTS WITH RESPECT TO MUNICIPAL BOND DERIVATIVES."

(attached)

7. **ENGAGEMENT OF CONSULTANT FOR THE EARLY WARNING SYSTEM, STABILIZATION FUND, AND CHARITY CARE**
   a. **Request for Approval of Contract with Consultant**

Mr. Mark Hopkins informed Members that the Department of Health (the "Department") has requested that the New Jersey Health Care Facilities Financing Authority (the "Authority") expand its role under the Department's existing Memorandum of Agreement with the Authority for Quarterly Financial Database Maintenance and Data Analysis ("MOA"). The new duties are to include providing detailed assessments of the financial conditions of hospitals and other health care organizations, providing consultation to Department on policy, capacity, consolidation and change in ownership of health care facilities for purposes of reviewing Certificate of Need applications and other health care planning decisions and providing support for the Department's Early Warning System (including the design of an EWS for long-term care facilities), Stabilization Fund and Charity Care Programs.

In order to meet these additional duties, Authority Staff recommended engaging a consultant on a part-time basis, averaging approximately 25 to 28 hours per week. After the Authority Members approved the form of Request for Proposals ("RFP"), the Authority Staff advertised the availability of the RFP in The Star Ledger, The Courier Post and The Trenton Times on July 20, 21, and 22 and posted the full RFP on the Authority's website and the State's website. Proposals were due on July 30.

Only one proposal was received (the "Proposal"). It was from Joseph Lario, the former Executive Director of Health Care Financing at the Department. As background, Mr. Lario recently left his position as Executive Director to move to Florida in order to be close to his ailing mother-in-law. Prior to his position at the Department, he served 25 years as Chief Financial Officer of Kennedy Health System.

Mr. Lario has proposed a rate of $9,000 per month for his consulting services. He proposed to work an average of 15 full days at $600 per day. The initial term of the consulting agreement will be 12 months with an option for the Authority to renew in four additional six month increments on 60 days notice, if mutually agreeable. Mr. Lario will agree to attend meetings in-person if reimbursed for actual travel expenses, estimated at approximately $1,500 per trip on average. Mr. Lario's full Proposal was provided to the Authority Members with their meeting packets.

Based on this information, the Authority Staff requested that the Authority Members act on each of the following three items:

1. Approve the engagement of Joseph Lario as a consultant and the delegation to the Executive Director of the Authority to execute a contract, prepared by the Attorney General's Office, reflecting the engagement under the following parameters: (a) the engagement will be for a term of 12 months commencing on September 15, 2012 with an option to renew for up to four (4) additional six month terms upon the mutual agreement of the parties upon sixty (60) days notice; (b) payment shall be at a rate of $600 per day not to exceed $9,000 per month for work as described in the RFP and the Proposal, plus

reimbursement of actual travel expenses, if required to travel; (c) the consultant shall provide regular reports, at least monthly, on the time worked and tasks accomplished; and (d) the Authority's Standard Terms and Conditions are incorporated into the contract.

2. Approve an amendment to the 2012 Budget by increasing the line item "Contractual Services" by $35,000 to reflect the addition of this consulting contract. This will ultimately be offset by reimbursement from the Department, so it should have no overall impact, but timing may cause an increase in the Authority's 2012 budget up to this amount.

3. Approve the Amendment to the MOA with the Department, provided to the Authority Members in their meeting packets in substantially final form, and authorize the Executive Director to execute the Amendment.

Ms. Kralik inquired as to whether Mr. Lario had any hand in doing the RFP. Mr. Hopkins stated that is was prepared by himself and Mr. Fillebrown with input from Mr. Conroy. Ms. Kralik also inquired as to whether there was any cooling off period necessary, and Mr. Hopkins responded that it was not necessary for his employment with the Authority.

In regards to the proposal, Mr. Bollaro asked if it were typical for consultants to include benefits. Mr. Hopkins responded that typically when dealing with consultants, it is a firm that provides an hourly rate, and that rate includes their costs of office space, support staff and benefits.

Ms. Charters asked if the Authority was comfortable with only receiving one proposal. Mr. Hopkins responded that the Authority felt comfortable because it was advertised in a number of locations and the one proposal that was received was from someone very qualified. If there was not a qualified person who responded, he stated that the Authority would have to go back out to find another option. In response to a question from Mr. Bollaro regarding the IT line item in the proposal, Mr. Hopkins stated that he did not inquire and has not had any communication with Mr. Lario after receiving the proposal, but Mr. Hopkins believes Mr. Lario maintains a personal computer in his home office.

Dr. Kazmir made a motion to approve the request to engage Joseph Lario as a consultant for the Early Warning System, Stabilization Fund, and Charity Care. Mr. Bollaro seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-14

NOW, THEREFORE, BE IT RESOLVED, that the Authority approves of the engagement of a consultant for the Early Warning System, Stabilization Fund, and Charity Care.

b. **<u>Request for Approval of Amendment to the Authority's 2012 Budget for Contractual Services</u>**

Dr. Kazmir made a motion to approve the amendment to increase the Authority's 2012 budget by $35,000 for contractual services. Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-15

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority approves the amendment to increase the Authority's 2012 Budget of $35,000 for Contractual Services.

c. **<u>Request for Approval of Amendment to the Memorandum of Agreement with Department of Health for Financial Analysis</u>**

Ms. Charters made a motion to approve the amendment to the Memorandum of Agreement with Department of Health for Financial Analysis. Dr. Kazmir seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-16

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority approves of the amendment to the Memorandum of Agreement with Department of Health for Financial Analysis.

8. **OLD/NEW BUSINESS**
   <u>Resolution of Appreciation for Gus Escher</u>

Mr. Hopkins read the attached Resolution of Appreciation for Gustav E. Escher, III. In June, the State Senate consented to the appointment of Elisa Charters to the seat that he previously held on the Authority Board.

Mr. Escher stated that the Authority Staff is spectacular, and the Authority is a gem in the government structure in New Jersey. He noted that in his time with the Authority, he learned so much about health care and financing and expressed his appreciation.

Mr. Conroy asked the Members' pleasure with respect to the adoption of the resolution in appreciation of Mr. Escher and his years of service and contributions to the Authority. Dr. Kazmir moved that the resolution be approved. Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-17
(attached)

9. APPROVAL OF EXPENSES

Mr. Conroy referenced a summary of Authority expenses and invoices. Dr. Kazmir offered a motion to approve the bills and to authorize their payment; Mr. Bollaro seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. MM-18

> **WHEREAS,** the members of the Authority have reviewed the memoranda dated August 16, 2012, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of $86,859.85 and $7,271.25 respectively, and have found such expenses to be appropriate;
>
> **NOW, THEREFORE, BE IT RESOLVED,** that the members of the Authority hereby approve all expenses as submitted, and authorize the execution of checks representing the payment thereof.

10. STAFF REPORTS

Mr. Conroy thanked staff for the Project Development Summary, Cash Flow Statement and Legislative Advisory reports.

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

1. Yesterday, Governor Christie signed the "New Jersey Medical and Health Sciences Education Restructuring Act" which reorganizes (i) the Newark portions of the University of Medicine and Dentistry of New Jersey ("UMDNJ") and the Robert Wood Johnson Medical School and the Cancer Institute of New Jersey in New Brunswick under Rutgers University; (ii) UMDNJ's School of Osteopathic Medicine in Stratford under Rowan University; (iii) creates a hybrid entity with Rowan University out of the schools on the Camden campus of Rutgers; and (iv) creates a separate State instrumentality to own University Hospital. The transition will take place primarily in the next State fiscal year.

2. Governor Christie will be giving the Keynote Address at the Republican National Convention next Tuesday.

3. Earlier this month the IRS notified the Authority that it has completed its examination of refunding bonds the Authority issued on behalf of AtlaniCare Regional Medical Center in 2007 "with no change in the position that interest received by the beneficial owners of the Bonds is excludable from gross income under section 103 of the Internal Revenue Code."

4. Hospital News

a. Last Friday, Commissioner O'Dowd issued her approval of the Certificate of Need to close Saint Clare's Sussex campus but keep open a satellite emergency department and outpatient services.

b. Robert Wood Johnson University Hospital in New Brunswick has named Brian Reilly as Senior Vice President and Chief Financial Officer, replacing Paul Storiale who resigned earlier this summer. Mr. Reilly served for eight years as CFO at Hahnemann University Hospital in Philadelphia, part of the Tenet Healthcare Corporation.

c. Hackensack University Medical Center received an A- rating with a positive outlook from Standard & Poor's. Hackensack was also ranked highest among New Jersey hospitals in U.S. News & World Reports' 2012-2013 Best Hospitals list and among the top 50 for cancer in the country.

d. Englewood Hospital and Medical Center is reported to be laying off some employees due to the economy, a rise in uninsured patients, declines in federal funding and in anticipation of the 2013 reopening of Pascack Valley Hospital in Westwood.

e. Medicare will begin withholding up to 1% of its payments from all but two hospitals (Morristown Memorial and Overlook) in New Jersey for readmission of patients within thirty days of discharge. Medicare is taking this step to incentivize a reduction in readmissions, which are costly and are often viewed to result from poor planning and lack of follow-up care.

f. Commissioner O'Dowd wrote an opinion piece in NJ Today about the importance of Community Health Centers.

g. Ascension Health Care Network's offer to acquire St. Joseph's and St. Mary's was rejected by the St. Joseph's Board of Directors on August 2. The sponsors of St. Joseph's and St. Mary's, the Sisters of Charity of Saint Elizabeth, have been trying to resolve the differences between the parties. If the differences cannot be resolved, the deal will fall apart and St. Mary's will continue to seek a partner to help it resolve its ongoing financial difficulties. The Authority staff is monitoring the situation closely.

h. Authority Members were provided with several additional recent articles, but in the interest of time, Mr. Hopkins did not discuss them and asked Members to review them at their convenience.

5. Authority News

a. Mr. Hopkins announced that Tracey Cameron, formerly the Authority's Receptionist, has been promoted to the Administrative Assistant for Project Management and Research, Investor Relations and Compliance, replacing Tammy Romsdahl, who tendered her resignation in July after giving birth to her third child.

b. Mr. Hopkins thanked Staff, particularly Senior Staff and others who report to him, for their work and reliability. He noted that he is able to delegate tasks and know they will be done correctly. This was evident during the spring when he was out of the office surrounding the illness and death of his father-in-law, and again during a busy summer season.

This concluded the Executive Director’s report.

11. EXECUTIVE SESSION

At this point, Mr. Conroy asked the Members to meet in Executive Session to discuss potential litigation. As permitted by the Open Public Meetings Act and the Authority’s By-Laws, Dr. Kazmir moved to meet in Executive Session to discuss potential litigation. Mr. Bollaro seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-19

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

Public session reconvened. No Action was taken during Executive Session.

As there was no further business to be addressed, following a motion by Mr. Bollaro and a second by Ms. Charters, the Members voted unanimously to adjourn the meeting at 11:14 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 AUGUST 23, 2012.

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Carole A. Conover, Assistant Secretary