Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on January 26, 2012 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** *were in attendance:*
Gus Escher, Public Member (Chairing); Joseph Lario, Designee of the Commissioner of Health and Senior Services; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Bob Bollaro, Designee of the Commissioner of Human Services; Dr. Munr Kazmir, Public Member and Suzette Rodriguez, Public Member (via telephone).

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Steve Fillebrown, Ron Marmelstein, Lou George, Suzanne Walton, Michael Ittleson, Carole Conover, Linda Hughes, Bill McLaughlin, Arvella King, Tammy Romsdahl and Christopher Kulick.

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones, Deputy Attorney General; Brandon Minde, Governor's Authorities Unit; Ryan Feeney, NJ Treasury Department; Manuel Mar and Jonathan Schneider of JP Morgan; Nick Warner of Wells Fargo; and Kristin DiSandro of JNESO.

CALL TO ORDER

Vice-Chairman Gus Escher called the meeting to order at 10:06 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 26, 2011 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.

1. APPROVAL OF MINUTES
December 15, 2011 Authority Meeting

Minutes from the Authority's December 15, 2011 meeting were presented for approval. Mr. Lario offered a motion to approve the minutes; Dr. Kazmir seconded. The vote was unanimous and the motion carried.

January 12, 2012 Special Meeting

Minutes from the Authority's January 12, 2012 special meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Mr. Bollaro seconded. The vote was unanimous and the motion carried.

2. NEGOTIATED PRIVATE PLACEMENT REQUEST
<u>AtlantiCare Health System</u>

Mr. Mark Hopkins informed the Members that AtlantiCare Health System ("AtlantiCare") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt negotiated sale of approximately $45 million in the form of a private placement. AtlantiCare is the sole member of AtlantiCare Regional Medical Center ("Medical Center") which operates two hospitals – one located in Atlantic City (the City Campus) and the other in Pomona (Mainland campus). The Medical Center is also the sole member of Behavioral Health which is a provider of outpatient mental health, substance abuse and family care services in the southeastern region of New Jersey.

The proceeds of the bonds will be used to effect a current refunding of the remaining Series 2002 bonds, fund a debt service reserve if necessary, and pay any related costs of issuance.

The Series 2002 bonds had been issued in the amount of $115,875,000 and are callable on July 1, 2012. In 2007, $36.7 million of the bonds were advance refunded to the first call date. The proposed issue will refund the remaining bonds.

The Medical Center had an excess of revenues over expenses of $55.9 million in 2010 and $77.3 million in 2009. Based upon unaudited information, it is reflecting an excess of revenues over expenses of $4.9 million for the first nine months of 2011. The Medical Center did not have year-end information available as it is in the process of closing out its books for the 2011 calendar year.

The Medical Center has 567 licensed beds and employs approximately 4,700 people. It was originally reported that the system maintains an A rating from both S&P and Fitch and A2 rating from Moody's. (The correct ratings are an A+ rating from both S&P and Fitch and an A1 rating from Moody's.)

The Medical Center issued debt through the Authority in 2002, 2007 and earlier this month totaling $268,620,000 of which $237,685,000 remains outstanding. However, as he indicated earlier, $36,775,000 of this outstanding debt has been defeased and will be called for redemption on July 1, 2012.

AtlantiCare has asked that the Authority permit the use of a negotiated sale, in the form of a private placement, based on volatile market conditions. This reason is considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale.

Also under the Authority's policies, a Borrower requesting a private placement form of a negotiated sale must justify the use of a private placement by showing it is either less expensive on a present value basis to complete a private placement or that there are other circumstances that would limit the effectiveness or usefulness of a negotiated sale using a public offering. AtlantiCare, along with their financial advisor, prepared a financial analysis that indicates that a private placement will generate $2.9 million more in present value savings than a public offering. Therefore, Mr. Hopkins recommended the consideration of the resolution approving the use of a private placement form of negotiated sale and forwarding a copy of the justification in support of said resolution to the State Treasurer.

The Authority anticipates conducting an informational presentation at the February meeting followed by a request for a contingent bond sale at the March meeting.

Mr. Escher noted that he was comfortable with the recommendation but asked for clarification on the process of making a request for negotiated sale concerning a refunding. He noted that refundings are very complicated, have many moving parts and are very timely. He inquired as to whether the fact that there is a refunding, in and of itself, would allow for a negotiated sale. Mr. Hopkins replied that under Executive Order #26, there were certain listed reasons that needed to be met in order to constitute a negotiated sale. A refunding was not one of those reasons; however, a complex financing is one of the acceptable reasons.

Mr. Escher asked the Members' pleasure with respect to the adoption of the Resolution supporting the issuance of revenue bonds by negotiated private placement transaction pursuant to Executive Order #26 on behalf of AtlantiCare Health System. Dr. Kazmir moved to adopt the resolution. Mr. Bollaro seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-50

> **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)

3. 2012 DEBT MANAGEMENT PLAN

Mr. Lou George reported that under Executive Order No. 26, the Authority is required to prepare an annual debt management plan and submit it to the Treasurer. Members received the Authority's plan for 2012 which reflects the financings completed during 2011 and identifies seven financings totaling $488 million that are anticipated during 2012. Of the seven financings, the ones that have the highest probability of being completed are the St. Luke’s Warren, the two AtlantiCare transactions and the Kennedy Health System financings. Specifically, St. Luke’s Warren is scheduled to close on Monday, one AtlantiCare transaction closed earlier this month, and the second financing was just given approval to pursue a negotiated private placement. At a lower level of probability, but still likely, are the Hackensack University Medical Center and another AtlantiCare Regional Medical Center transaction.

The South Jersey Health System, the St. Joseph’s Healthcare System and Virtua Health may materialize into financings, but it’s too early to predict at this time. The seventh transaction will consist of either one of these or another transaction that the Authority is unaware of at this time. Over the course of a year, borrowers and underwriters come to the Authority with refunding possibilities that ultimately materialize into financings.

Last year Members authorized a leasing program transaction for Barnabas Health in an amount not to exceed $70 million. To date the Authority hasn't closed on any leasing transactions; however, it anticipates that they will be closing on several transactions during this calendar year.

There is also a borrower interested in financing an Assisted Living Facility with an adult medical day care capability, but this project has been ongoing for several years and hasn't materialized to the point of including it in the report.

The proposed plan excludes Capital Asset Program (CAP) loans, since these transactions do not involve the issuance of new debt. As in prior years, the total volume for 2012 is subject to change, depending upon market conditions and borrowers' preferences.

Mr. George requested the Members consideration in approving the proposed plan and authorizing submission of it to the State Treasurer.

Mr. Escher asked what the typical process was regarding the inclusion of projects that were still considered "maybes." Mr. George responded that he does put them in, but considers the probability. He may have two to three possibilities and represent them by one "probable" (while leaving the other two as "possible") since the chances are that at least one of them will materialize. It was noted that much of the plan development is a judgment call. Mr. Hopkins added that historically the Authority has been fairly conservative and typically ends up issuing more bonds than has been estimated in its debt management plan due to projects and refundings that pop up throughout the year.

Mr. Escher added that he believed the original purpose of this report was intended to get a grip on what debt would touch on the resources of the State itself. Independent issuers like the Authority, by and large, don't deal with the State's credits, but still need to be reasonable and conservative.

Dr. Kazmir made a motion to adopt the proposed 2012 Debt Management Plan and submit it to the Treasurer in accordance with the requirements of Executive Order No. 26. Mr. Lario seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-51

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves a motion to adopt the proposed 2012 Debt Management Plan and submit it to the Treasurer in accordance with the requirements of Executive Order No. 26.

4. OLD/NEW BUSINESS

Mr. Hopkins read the attached Resolution of Appreciation for Lori Jefferson who had served the Authority as Health Information Technology Project Manager before her death on January 15. Mr. Escher asked the Members' pleasure with respect to the adoption of the resolution in appreciation of Ms. Jefferson and her contributions to the Authority. Dr. Kazmir moved that the resolution be approved. Mr. Bollaro seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. LL-52
(attached)

5. APPROVAL OF EXPENSES

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

AB RESOLUTION NO. LL-53

WHEREAS, the members of the Authority have reviewed the memoranda dated January 19, 2012, summarizing 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 $544,468.86, $42,112.14 and $23,230.24 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.

6. STAFF REPORTS

Mr. Escher thanked staff for the Project Development Summary, Cash Flow Statement and Year-End Budget Review reports. He noted that there was no Legislative Advisory report for the month.

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

1. Mr. Hopkins noted that the family of Lori Jefferson has requested that in lieu of flowers, donations be made to support the education of her high-school aged son. If anyone is interested in donating, he would be taking up a collection.

2. Mr. Hopkins reminded Members that in June of 2007 the Authority adopted Resolution No. HH-28 which lowered certain Authority fees but created an automatic annual adjustment to the amount of bonds that would be subject to the Authority's initial fees and annual fees (the "fee cap"). The resolution called for the adjustment of the fee cap commensurate with the change in the average of the Consumer Price Index for all Urban Consumers ("CPI-U") in the New York and Philadelphia regions, rounded to the nearest million. For the twelve month period ending December 31, 2011 the CPI-U in the New York region increased 2.84559% and in the

Philadelphia region increased 2.67615%, for an average increase of 2.76087%. Based on this increase and the fact that the Authority rounds to the nearest million, the Authority will now collect its initial fee and annual fee on bond amounts up to the cap of $92,000,000 in bonds, up from $90,000,000 in 2011.

2. To recap 2011, the Authority issued nearly $942 million in bonds on behalf of six borrowers and lent another $46 million to three borrowers through the Capital Asset Program. Loans from the Capital Asset Program averaged an interest rate of 1.95% for calendar year 2011. The Authority's 2011 expenses came in 22.2% under budget and 9.2% below 2010 expenses. The Authority's income came in at 4.5% over budget and 7.5% over 2010 income. The Authority's receipts over disbursements came in nearly $1 million over budget and more than $600,000 over 2010.

3. Authority Members should have received two disclosure forms to be filled out before next Friday, February 3. The "Personal and Business Relationships Disclosure Form" is required pursuant to NJ Statute 52:34-10.11 for anyone, including Authority Members and Staff, involved in the procurement process. The "Annual Outside Activity Questionnaire" is required pursuant to the State's Uniform Code of Ethics. Please feel free to consult Robin Piotrowski, the Authority's Human Resources Manager and Ethics Liaison Officer, if you have any questions.

4. Hospital News

a. On January 1, Barry Ostrowsky became the President and Chief Executive Officer of Barnabas Health. Mr. Ostrowsky has been with Barnabas for over 20 years, most recently as Chief Operating Officer. He is replacing Ronald Del Mauro, who is retiring after many years of service with Barnabas.

b. On December 15, 2011, Richard Grogan, who had been serving since last March as interim Chief Executive Officer at The Memorial Hospital of Salem County, has been named permanently to the position. Mr. Grogan replaced James Angle who left to take a new position elsewhere. Mr. Grogan previously served as CEO of Chestnut Hill Hospital in Philadelphia as well as hospitals in New Mexico and Texas.

c. Cooper University Hospital has named Adrienne Kirby as Chief Operating Officer. She has over 30 years of healthcare management experience, most recently serving as President of Franklin Square Hospital Center in Maryland. She also held leadership positions at New Jersey's Virtua Health System, Christiana Care Health System in Delaware, University of Pennsylvania Medical Center and Hahnemann University Hospital, both in Philadelphia.

d. Dr. Fred Jacobs, Executive Vice President and Director of Barnabas Health Quality Institute, retired effective December 31, 2011, however he will be staying on for one year as a consultant. Dr. Jacobs was New Jersey's Commissioner of Health and Senior Services from 2005 to 2008, in which capacity he also served as Chairman of the Authority. He worked at Barnabas since 1969 as a physician and several management positions and was also a Professor at UMDNJ and served as President of the New Jersey Board of Medical Examiners from 1993 to 1995.

e. On December 23, 2011, Fitch affirmed a "B" rating with a Stable outlook for Deborah Heart & Lung Center.

5. Authority News

a. Mr. Hopkins has requested a travel ban exception for Steve Fillebrown to attend the Spring 2012 Conference of the National Association of Health and Educational Facilities Finance Authorities from March 26 through 28 in Washington, D.C. As has been discussed before, NAHEFFA is the sole national organization supporting state and local health and educational financing authorities. At its Spring and Fall conference, one Authority staff member gets valuable education and networking experience. The expected total cost of attendance at the Spring conference is $1,675. The Authority's 2012 budget anticipated attendance at the conference and there is a sufficient amount budgeted. He gave the Authority Members an opportunity to voice their support or opposition to Mr. Fillebrown's attendance while the Authority awaits the decision on the travel ban exception. There were no objections, and Mr. Escher noted he is in support of these types of conferences.

b. Mr. Hopkins informed Members that he will be naming Arvella "Archie" King, the Authority's Assistant Director of Research, Investor Relations and Compliance, to also serve as Acting Health Information Technology Project Manager until a permanent replacement can be found for Lori Jefferson. He is taking this action merely to ensure there is someone authorized to sign requisitions to reimburse the grant sub-recipients.

c. Finally, today Mr. Hopkins received a letter from Lou George, the Authority's Director of Project Management, indicating that he plans to retire on April 1 of this year. Upon his retirement, Lou will have served the Authority for just over 30 years. Most of his time was as a Project Manager, but he has served more than ably as Director of Project Management over the last several years. Lou's retirement will be a great loss to the Authority. He carries with him an incredible institutional memory and the most in-depth knowledge of the evolution of the Authority's bond documents, not to mention his intelligence, easy going attitude and kind personality. He will be missed by all.

This concluded the Executive Director's report.

As there was no further business to be addressed, following a motion by Dr. Kazmir and a second by Mr. Bollaro, the Members voted unanimously to adjourn the meeting at 10:30 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 JANUARY 26, 2012.

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Carole A. Conover, Assistant Secretary