

Minutes of the New Jersey Health Care Facilities Financing Authority special meeting held on January 12, 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; Greg Lovell, Designee of the Commissioner of Human Services (via telephone); Dr. Munr Kazmir, Public Member (via telephone); 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, Marji McAvoy.

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

Sudi Solomon, Deputy Attorney General; Ryan Feeney of NJ Treasury Department; John Bitar of Windels Marx Lane & Mittendorf; Carl Alberto of St. Luke's Warren Hospital; Thomas Lichtenwalner of St. Luke's Hospital; John Kelly of Wilentz; Scott Kobler of McCarter & English; George Magnatta of Saul Ewing, LLP; Nicole Crifo of Governor's Authorities Unit (via telephone).

CALL TO ORDER

Vice-Chairman Gus Escher called the meeting to order at 10:03 a.m. and announced that this was a special meeting of the Authority. 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. Lovell, who was participating via telephone, did not respond during roll call and therefore was not called on for votes, but did second a motion for adjournment.)

1. TEFRA HEARING & CONTINGENT BOND SALE **St. Luke's Warren Hospital**

Mr. Escher announced that the following portion of the meeting would be considered a public hearing in connection with the proposed transaction on behalf of St. Luke's Warren Hospital. This hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Mr. McLaughlin introduced Mr. Carl Alberto, Vice President, Finance for St. Luke's Warren Hospital and Thomas Lichtenwalner, Senior Vice President, Finance for St. Luke's Hospital. He informed Members that he would be requesting approval of a contingent sale of bonds on behalf of the St. Luke's Warren Hospital. The institution is a not-for-profit 214-bed acute care community hospital located in Phillipsburg, New Jersey.

Mr. McLaughlin then stated that the proposed transaction will be comprised of approximately \$43,000,000 of tax-exempt bonds which will be used to finance a portion of the costs of completing the acquisition of all of the ownership interests of Warren Hospital by St. Luke's Hospital of Bethlehem, Pennsylvania. The Series 2012 Bonds will be issued and delivered to Allstate Insurance Company via a direct placement in exchange for all of the Authority's outstanding Warren Hospital Series 2008A and Series 2008B (taxable) Bonds. All of the Series 2008A and Series 2008B Bonds will be cancelled and extinguished upon the issuance and delivery of the Series 2012 Bonds. Both the funding of the debt service reserve fund for the Series 2012 Bonds and the payment of all related costs of issuance will be accomplished using monies available from an equity contribution to be made by St. Luke's Warren Hospital in connection with this transaction.

The financing is expected to be structured with one nominal maturity in 2049 and will be subject to sinking fund redemption in part during each year commencing in 2019. During the interest only period, which will run from closing until December 31, 2018, the interest rate for the Series 2012 bonds will be 6.00%. For the period January 1, 2019 until final maturity in 2049, the interest rate will be 7.25%.

Mr. McLaughlin introduced John Kelly of Wilentz, Goldman & Spitzer P.A., the Bond Counsel to present the Bond Resolution pertaining to this transaction.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer P.A., the Bond Counsel, stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2012 Bonds in an aggregate principal amount, not in excess of \$45,000,000 and at an interest rate not to exceed 7.25% per annum. The Series 2012 Bonds will have a final maturity date of no later than July 1, 2049 and be subject to redemption prior to maturity as set forth therein, provided, that the redemption price can not be greater than 108%. The Series 2012 Bonds will be secured by payments made by the Hospital under its Loan Agreement with the Authority as evidenced and secured by a Promissory Note. Additionally, there will be a First Mortgage and Security Agreement on the real estate that secures all of the obligations under the Note and the Loan Agreement. The Loan Agreement itself will contain a gross receipts pledge to secure the Bonds.

The Bond Resolution also approves the form of and authorizes the execution of a Direct Bond Exchange Agreement with Allstate Insurance, the current holder of the 2008 Bonds. The 2008 Bonds will be exchanged for the 2012 Bonds, and the 2008 Bonds will be cancelled and extinguished.

Additionally, the Bond Resolution approves the form of and authorizes the execution of the Series 2012 Bonds, Trust Agreement, Loan Agreement, First Mortgage & Security Agreement and Direct Placement Memorandum. Further, the Bond Resolution appoints US Bank National Association as Bond Trustee, Bond Registrar and Paying Agent for the Series 2012 Bonds. 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 appropriate to effectuate the execution and delivery of the Trust Agreement, the Loan Agreement, the First Mortgage and Security Agreement and the Bond Exchange Agreement and the issuance of the Series 2012 Bonds.

Mr. Escher asked if there were any questions or comments from the public. Hearing none, Mr. Escher asked the Members' pleasure with respect to the adoption of the Resolution on behalf of St. Luke's Warren Hospital. Mr. Lario made a motion to approve the Resolution. Dr. Kazmir seconded. Mr. Escher, Mr. Lario, Ms. Rodriguez and Dr. Kazmir voted yes, Ms. Kralik abstained and the motion carried.

AB RESOLUTION NO. LL-48

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING REVENUE BONDS, ST. LUKE'S WARREN HOSPITAL ISSUE, SERIES 2012."

(attached)

Mr. Escher then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended regarding the proposed financings on behalf of St. Lukes Warren Hospital.

2. AMENDMENT TO FUND AGREEMENT Princeton HealthCare System

Ms. Marji McAvoy reported that in the last several months, Princeton HealthCare System has fully redeemed their 2010A series of bonds with the proceeds of a taxable loan with Bank of America. Also, the 2010B public series of bonds were tendered, and then purchased by TD Bank as a private issue. This caused terminations of the Reimbursement Agreements and Letters of Credit to the 2010A and B bonds. She stated that the amendment presented to Members will recognize Bank of America and TD Bank as Credit Parties and beneficiaries to the provisions of the existing project Fund Agreement, despite terminations of the respective Reimbursement Agreements and Letters of Credit.

She drew Members' attention to a revised copy of the Amendment to Project Fund and Cost of Issuance Agreement and the Resolution Authorizing the Amendment, prepared by Windels Marx Lane & Mittendorf, Bond Counsel for the transaction.

She added that Bond Counsel will opine, at the time of the execution of the Amendment, that such Amendment is valid, binding, and enforceable, is permitted under the provisions of the existing Fund Agreement regarding the amendment and supplementing thereof, and that the interest on the outstanding 2010 Bonds will still be exempt from federal income taxes and under the New Jersey Gross Income Tax Act.

The Attorney General's office has reviewed the Resolution and has no objection to the Authority's consideration. Therefore, Staff recommended that the Resolution be approved. Mr. Escher asked the Members' pleasure with respect to the adoption of the Resolution on behalf of Princeton HealthCare System. Mr. Lario offered a motion to adopt the Resolution; Dr. Kazmir

seconded. Mr. Escher, Mr. Lario, Ms. Kralik, Ms. Rodriguez and Dr. Kazmir voted yes and the motion carried.

AB RESOLUTION NO. LL-49

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled “RESOLUTION AUTHORIZING AN AMENDMENT TO FUND AGREEMENT RELATING TO NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, PRINCETON HEALTHCARE SYSTEM ISSUE, SERIES 2010A, SERIES 2010B, SERIES 2010C AND SERIES 2010D.”

(attached)

Mr. Hopkins noted that one of the reasons the special meeting was called was for Warren Hospital, which had its CHAPA hearing the previous week. The judge issued a final order in their favor to have the sole member substitution of St. Luke’s parent to take over Warren Hospital. That step has been completed and it looks like they will most likely close before the end of the month as Warren desired.

Mr. Alberto thanked all of the people at the Authority including Mr. Hopkins, Mr. Fillebrown and Mr. McLaughlin who had been very accommodating throughout the process. Specifically, Mr. Fillebrown has been a great help for many years and particularly dating back to 2010 when there was almost daily monitoring of their three days cash on-hand. The Authority had been very accommodating during that time, even facilitating the relationship between Warren and one of their lenders, HFG. He reiterated that Warren got through rocky times with the support of Mr. Fillebrown and the Authority.

He also thanked the Board for allowing them to come before the Board for this special meeting. He noted that this was a great resolution to go forward and partner to join the St. Luke’s network. Not only is it a good solution for Warren Hospital, but also for the Phillipsburg area.

Mr. Lichtenwalner added his thanks to everyone at the Authority. He noted that St. Luke’s looks forward to being in Phillipsburg, NJ for a long time – expanding the hospital and expanding services as they have done at other hospitals in Pennsylvania. They look forward to a long and bright future in New Jersey.

As there was no further business to be addressed, following a motion by Dr. Kazmir and a second by Mr. Lovell, the Members voted unanimously to adjourn the meeting at 10:15 a.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY SPECIAL MEETING HELD JANUARY 12, 2012.

Carole A. Conover, Assistant Secretary