Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on October 25, 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); Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Greg Lovell, Designee of the Commissioner of Human Services; 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, Carl MacDonald, Arvella King, Taryn Jauss, Jessica Lucas, Edwin Fuentes, Hilary Freed 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, Treasury; Victor Flamini of Wiley Mission; Tom Scott of Barnabas Health; Deborah Beards of The House of the Good Shepherd (via telephone); Scott Kobler of McCarter and English, LLP; John Kelly of Wilentz, Goldman & Spitzer P.A.; John Dellocono and Alice Guttler of CentraState Medical Center; John Bitar of Windels Marx Lane and Mittendorf, LLP; Chris McCann of J.P. Morgan; 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 10:01 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. Dr. Kazmir nominated Bill Conroy to serve as Chair pro tem for the October 25, 2012 meeting and Mr. Lovell seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-25

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 October 25, 2012 Authority meeting.

1. **APPROVAL OF MINUTES**
   <u>September 27, 2012 Authority Meeting</u>

Minutes from the Authority's September 27, 2012 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Ms. Charters seconded. Mr. Conroy, Mr. Lovell, Ms. Rodriguez, Dr. Kazmir and Ms. Charters voted yes; Ms. Kralik abstained and the motion carried.

2. **TEFRA HEARING & CONTINGENT BOND SALES**
   a. **<u>Barnabas Health</u>**

Mr. Conroy announced that the following portion of the meeting would be considered a public hearing in connection with the proposed issuance of bonds on behalf of Barnabas Health, House of the Good Shepherd, and Wiley Mission. 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.

Ms. Charters recused herself from the Barnabas Health discussion, as her husband works for J.P. Morgan Securities, and stepped away from the table.

Mr. Conroy introduced Tom Scott, Senior Vice President from Barnabas Health. Ms. Suzanne Walton reminded the Members that in June of last year, Barnabas Health notified the Authority of their desire to restructure their existing debt portfolio through the issuance of tax-exempt bonds. A significant portion of the project financing was devoted to refundings and refinancing and, as a result, was interest rate sensitive. In October and November of last year, the Authority issued $370 million of fixed rate bonds, $37 million of variable rate tax-exempt bonds and $42.9 million of variable rate taxable bonds on behalf of Barnabas. The Series 2011 financing produced a much more conservative debt structure, reducing exposure to bank renewal risk, eliminating failed auction rate bonds and reducing accretion from capital appreciation bonds. As a result, variable rate debt represented roughly 10% of total debt and the system would have no exposure to interest rate swaps. However, several refunding opportunities identified in the plan of finance, ultimately, were not included in the Series 2011 issuance due to the changing interest rate environment. Barnabas had planned to come back to the Authority to issue additional refunding bonds in the first quarter of 2012 but was delayed for several months. Last month, Staff received notification from Barnabas Health that they would like to move forward with the refundings.

Therefore, Staff was seeking the Board's approval of a contingent sale of bonds on behalf of Saint Barnabas Corporation d/b/a "Barnabas Health" in an aggregate principal amount not to exceed $300 million. The proceeds of the Series 2012A Bonds will be used to finance the costs of refunding or purchasing, pursuant to a tender offer, all or a portion of bonds issued (1) through the NJ Economic Development Authority (a) Clara Maass Health System, Series 1996 and (b) Saint Barnabas Project, Series 1997A, and (2) through the NJHCFFA (a) Saint Barnabas Health System, 2006A and 2006B, (b) Saint Barnabas Health System, 1998B and (c) Saint Barnabas Medical Center/West Hudson, Series 1998A Bonds; funding a debt service reserve, if necessary and paying costs of issuance.

The bonds will be structured as a fixed rate public offering and will be uninsured and issued on the credit rating of Barnabas Health which is currently rated "BBB" by S&P, Baa2 by Moody's and BBB+ by Fitch.

The bonds will be secured by a promissory note issued by the Obligated Group under an existing Master Trust Indenture and will be secured by a gross receipts pledge of the Obligated Group and a mortgage on certain property. Based on the most recent numbers prepared by JPMorgan, the Senior Underwriter, in today's interest rate environment, the refunding of the current interest bonds alone yield net present value savings of $16 million or 8.2% savings of the refunded bonds.

In accordance with Authority policy, management submitted financial projections covering the years 2011 through 2015 which were provided to Members. Subsequent to the mailing, Staff requested minor revisions to the projections. None of the changes are deemed material and revised projections were provided to Members.

She then turned the presentation over to John Bitar, Esq. from Windels Marx Lane & Mittendorf, LLP to outline the Series Resolution.

SERIES RESOLUTION

Mr. Bitar noted that the series resolution had a revision to Section 6.1, which clarifies that existing title insurance that currently exists with respect to the bonds to be refunded or purchased as part of this financing is satisfactory as required title insurance for the Series 2012A bonds.

He stated the Series Resolution authorizes the issuance of the Series 2012A Bonds, the aggregate principal amount of which shall yield proceeds to the Authority, exclusive of any original issue discount, in an amount necessary to accomplish the purposes for which the Series 2012A Bonds are issued, but not in excess of $300,000,000, at a true interest cost not to exceed 7%. The Series 2012A Bonds will have a final maturity of no later than July 1, 2042 and the redemption price on the bonds shall not exceed 105%. The resolution approves the form of and authorizes the execution of a Bond Purchase Contact with the Underwriter prior to the close of business on January 23, 2013.

In addition, the Series Resolution approves the distribution of a Preliminary and Final Official Statement and approves the forms of the Bonds, the Loan Agreement, and Letter(s) of Instruction.

The Series Resolution appoints U.S. Bank National Association as the Trustee, Bond Registrar and Paying Agent for the Holders of the Series 2012A Bonds and authorizes the Authorized Officers of the Authority 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 Loan Agreement, the Bond Purchase Contract, the Letters of Instruction and the issuance and sale of the Series 2012A Bonds.

Mr. Scott thanked Authority Staff for being there for Barnabas as they continue to move forward. In response to a question from Mr. Conroy, Ms. Walton confirmed that there would be a net savings of $16 million on the current interest bonds alone, and it could be more depending on the success of the tender.

Mr. Conroy asked if there were any questions or comments from the public. Hearing none, Mr. Conroy asked the Members' pleasure with respect to the adoption of the Series Resolution on behalf of Barnabas Health. Dr. Kazmir made a motion to approve the Resolution. Mr. Lovell seconded. Mr. Conroy, Mr. Lovell, Ms. Kralik, Ms. Rodriguez and Dr. Kazmir voted yes and the motion carried.

AB RESOLUTION NO. MM-26

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby adopts the resolution entitled "A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE AND REFUNDING BONDS BARNABAS HEALTH ISSUE, SERIES 2012A."

(attached)

<u>Co-Managers</u>

With respect to co-managers for this transaction, Ms. Suzanne Walton reminded the Members that the Authority selects firms from its qualified list to serve as co-managing underwriters for its financings. Firms are appointed on a rotational basis and selected based on the ability to distribute New Jersey securities of comparable credit quality, and sufficient capital to participate in the underwriting.

Barnabas Health selected J.P. Morgan Securities, Inc. to serve as their Senior Manager and requested consideration for three additional firms to be named as co-managers.

Based upon current market conditions and the size of this financing, the Authority would recommend five (5) co-managers for this transaction. Staff suggested appointing two of the three firms requested by Barnabas, namely M&T Securities, Inc. and TD Securities and adding PNC Capital Markets, Inc., Stern Brothers & Co. and Rice Financial Products Company as co-managers.

PNC Capital Markets, Inc. is headquartered in Pittsburgh, Pennsylvania and has been a leading underwriter for health care transactions. Since January of this year, the firm has served as underwriter on 13 healthcare transactions and has a proven ability to market and distribute New Jersey bonds.

Stern Brothers & Co. is an investment banking firm headquartered in St. Louis, Missouri with 13 offices nationwide. While the firm does not maintain a New Jersey office at present, it is a certified Woman-Owned Business Enterprise in the State of New Jersey and has served as senior and co-manager on healthcare transactions.

Rice Financial Products Company is a minority-owned firm headquartered in New York with a strong presence in New Jersey. Their municipal bond underwriting and trading desk is located in Hoboken, New Jersey. Since 2010, Rice has served as an underwriter on New Jersey bond financings totaling $1.2 billion including transactions with the NJ Educational Facilities Authority and the Economic Development Authority.

Therefore, Ms. Walton requested Authority Members' approval to name M&T Securities, Inc., TD Securities, LLC, PNC Capital Markets, Inc., Stern Brothers & Co. and Rice Financial Products Company as co-managers on the Barnabas Health System Series 2012 fixed rate transaction.

Mr. Conroy made a motion to approve M&T Securities, Inc., TD Securities LLC, PNC Capital Markets, Inc., Stern Brothers & Co., and Rice Financial Products Company as co-managers for the Barnabas Health transaction. Dr. Kazmir seconded. Mr. Conroy, Mr. Lovell, Ms. Kralik, Ms. Rodriguez and Dr. Kazmir voted yes and the motion carried.

AB RESOLUTION NO. MM-27

> **NOW, THERFORE, BE IT RESOLVED,** that the Authority hereby approves the appointment of M&T Securities, Inc., TD Securities LLC, PNC Capital Markets, Inc., Stern Brothers & Co., and Rice Financial Products Company as co-managers for the Barnabas Health transaction.

Ms. Charters rejoined the table.

b. <u>House of the Good Shepherd</u>

Mr. Carl MacDonald introduced Deborah Beards, Executive Director, the House of the Good Shepherd, who was joining the meeting by phone, and Scott Kobler, who was in person and serving as Counsel to the House.

He informed the Members that they were being asked to consider a contingent sale of bonds on behalf of The House of the Good Shepherd (the "House"), in an aggregate principal amount not to exceed $15,000,000 and a final maturity not to exceed July 1, 2031. The proceeds of the Series 2012 Bonds, together with other funds, will be used to provide funds to currently refund and redeem all of the Authority's outstanding Health Care Facilities Revenue Bonds Series 2001, and to pay the related costs of issuance.

The Series 2012 Bonds will be privately placed with, and directly purchased by, TD Bank, N.A. and will be secured by a mortgage and gross receipts pledge. The bonds are multi-modal and shall initially bear interest in the Direct Purchase Mode, with a fixed rate, subject to adjustment as provided in the Trust Agreement, for the first 10 years after closing, at which time the Series 2012 Bonds are subject to a mandatory tender unless the House and the Bank have previously agreed to an extension of such mandatory tender date. At any time after closing, the House has the option to convert the Series 2012 Bonds to an alternate interest rate mode as provided in the

Trust Agreement. The initial interest rate will be set at closing and will be calculated as 75% of the Bank's Cost of Funds plus a spread of 140 basis points. The initial interest rate is currently estimated at approximately 2.68%. The present value savings is expected to be over 20% of the refunded bonds.

Mr. MacDonald turned the presentation over to John Kelly, Esq. of Wilentz, Goldman & Spitzer P.A., the Bond Counsel, to present the Bond Resolution.

BOND RESOLUTION

Mr. Kelly stated that the Bond Resolution authorizes the issuance of the Series 2012 Bonds in an aggregate principal amount not in excess of $15,000,000, at an interest rate not to exceed 5.30% per annum for the first 10 years after closing, which initial rate shall be subject to increase upon the occurrence of an event of default as provided in the Trust Agreement, but in any event shall not exceed 9.30% per annum, and, thereafter, shall not exceed 12%. The Series 2012 Bonds will have a final maturity no later than July 1, 2031 and the redemption price for any Series 2012 Bonds shall not exceed 105%; provided, however, that the redemption price of any Series 2012 Bonds subject to optional redemption by the Authority pursuant to a "make-whole" provision may exceed 105% as provided in the Trust Agreement. The Series 2012 Bonds will be secured by payments made by the House under its Loan Agreement, as evidenced and secured by a Note issued pursuant to the provisions of a Master Trust Indenture and amounts on deposit in certain funds held by the Bond Trustee pursuant to the Trust Agreement. Additional security will include a gross receipts pledge together with a mortgage on House property. The Bond Resolution approves the form of and authorizes the execution of a Direct Bond Purchase Agreement with TD Bank, N.A., in its capacity as purchaser of the Series 2012 Bonds, prior to the close of business on January 23, 2013. In addition, the Bond Resolution approves the form of and authorizes the execution and delivery of the Series 2012 Bonds, the Trust Agreement, and the Loan Agreement.

Finally, the Bond Resolution appoints Duetsche Bank National Trust Company as Bond Trustee, Bond Registrar and Paying Agent for the Series 2012 Bonds and 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 Direct Bond Purchase Agreement, the Trust Agreement, the Loan Agreement, the completion of the refunding of the Series 2001 Bonds and the issuance and sale of the Series 2012 Bonds.

Mr. Conroy noted that in the information provided, there had been a change in payor mix, specifically a considerable increase in Medicare, and he asked if the House had a change in services, or were caring for different types of patients. Ms. Beards responded that the House was actively recruiting Medicare patients because of the profitability. When responding to a question from Mr. Conroy about the drop in Medicaid patients, Ms. Beards noted that it was through some attrition and not intentional. Regarding the Medicare patients, she stated that the House was receiving referrals directly from hospitals, specifically Hackettstown Regional Medical Center, which is a quarter-mile away and where 80% of the Medicare admissions come from.

Mr. Conroy asked if there were any questions or comments from the public. Hearing none, Mr. Conroy asked the Members' pleasure with respect to the adoption of the Bond Resolution on behalf of House of the Good Shepherd. Dr. Kazmir made a motion to approve the Resolution. Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-28

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby adopts the resolution entitled "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, THE HOUSE OF THE GOOD SHEPHERD OBLIGATED GROUP ISSUE, SERIES 2012."

(attached)

Mr. Kobler thanked the Authority and noted that House of the Good Shepherd was a great facility, and it is great that they will be able to realize over 20% present value savings. Seven banks had looked at the House, and there was a bit of a feeding frenzy due to being such a well-run facility. The Authority Staff, specifically Ms. Walton and Mr. MacDonald, was terrific in getting the House through the process. Ms. Beards added her thanks.

3. TEFRA HEARING
<u>Wiley Mission</u>

Mr. Bill McLaughlin introduced Victor Flamini, Chief Financial Officer, from Wiley Mission.

He reminded Members that during the Negotiated Sale Request and Informational Presentation concerning Wiley Mission that was presented at the Authority's September 2012 meeting, Mr. Hopkins mentioned that it was the expectation of Wiley Mission and its working group that a request to approve a contingent sale of bonds on behalf of Wiley Mission would take place at the Authority's October 2012 meeting. However, Wiley Mission, along with its working group, decided to postpone the contingent sale request in order to finalize certain aspects of the transaction. As a result, Wiley Mission is not seeking approval for a contingent sale of bonds this month.

Given that a TEFRA notice for a public hearing had been advertised, Wiley Mission requested that the Authority still hold a public hearing for this transaction and allow for public comment on the transaction. Conducting this public hearing does not bind the Authority to ultimately approve the transaction. The transaction will only be approved at the Members' discretion during a subsequent meeting at which the final documents will be presented. The public hearing held today will satisfy the federal tax law provisions regarding this transaction when and if approved by the Authority and the Governor at such later date.

Therefore, Mr. McLaughlin requested that the Members conduct a public hearing and seek public comment with regard to a tax-exempt bond financing on behalf of Wiley Mission pursuant to which the Authority, following its approval of the transaction, will make a loan to

Wiley Mission to be used to currently refund all of its NJHCFFA issued Series 2002 Variable Rate Revenue Bonds; to currently refund all of its NJEDA Economic Development Bonds (Wiley Mission Project); and to pay the related costs of issuance.

The maximum size of the Bond Issue will not exceed $15 million. The purpose of the presentation was informational and to comply with the public hearing requirements under the Internal Revenue Code of 1986, as amended.

In response to a question from Mr. Conroy about the timeline, Mr. McLaughlin stated that Wiley expected to be asking for approval of a contingent sale of bonds at the November Authority meeting.

Mr. Conroy asked if there were any questions or comments from the public. Hearing none, Mr. Conroy then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended.

4. MODIFICATION TO CAPTIVE INSURANCE COMPANY
CentraState Medical Center

Mr. Conroy introduced John Dellocono, Chief Financial Officer from CentraState Medical Center, in-house counsel Alice Guttler, their outside counsel, Scott Kobler with McCarter and English, LLP, and John Bitar, bond counsel from Windels Marx Lane and Mittendorf, LLP.

Ms. Taryn Jauss drew Members' attention to two documents provided to them at the meeting that pertained to the request. There was a minor change to the amendment that they had originally received in their mailing, but it was still consistent with the current covenant, and there were minor formating changes to the resolution.

Ms. Jauss then informed Members that since 2003, CentraState Medical Center and CentraState Assisted Living Facility ("CentraState") have insured its Hospital Professional Liability and General Liability Insurance coverage through SAAML which stands for System and Affiliated Members, Ltd., a Bermuda captive insurance company started by three Robert Wood Johnson hospitals and CentraState. This captive was made up of four isolated cells and a parent owned by each of the four hospitals. The hospitals currently involved are all of Robert Wood Johnson's Health System, Children's Specialized and CentraState.

As a minority shareholder, CentraState does not possess the power and authority to bring its business and governance ideas to fruition through SAAML. Because CentraState's isolated cell within the SAAML captive is financially solid, with reserves exceeding that which are actuarially required to cover actual and potential claims, and with their differences in business and governance ideas, they feel that it is time for CentraState to form its own captive.

In anticipation of replacing their current commercial coverage with a captive insurance company, CentraState is requesting the Authority's approval to amend both of their Series 1998 Bonds, 2006A Bonds and 2010 Capital Asset Program Loan Insurance Covenants. Beginning in 2008, the Authority approved an Insurance Covenant to be included in all new bond issues that identified certain requirements borrowers must meet prior to creating and maintaining a captive insurance company. By allowing CentraState to amend their Insurance Covenants, any captive insurance company they create would need to meet the same insurance requirements as the Authority's current policy. CentraState will be able to create its own captive insurance company but will have to meet the insurance requirements of the Authority's current policies.

In addition, bond counsel, Windels Marx Lane and Mittendorf, LLP., will be providing an opinion that holders of the bonds will not be adversely affected by the amendment. The Authorized Officer of the Authority will not be able to approve the creation of the new captive without that opinion.

Therefore, Staff requested that Members approve CentraState's Resolution and Amendment to amend their existing Insurance Covenants so that they reflect the Authority's current insurance requirements.

Mr. Conroy asked if there had been a review to assure that there would be no adverse impact on all of the original parties. Mr. Hopkins responded that there would be no impact because all of the cells are isolated.

Dr. Kazmir moved to amend the CentraState documents to authorize an Authorized Officer of the Authority to approve modifications; Ms. Rodriguez seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-29

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION AUTHORIZING AMENDMENTS TO THE LOAN AGREEMENTS RELATING TO THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY TO ITS ORIGINALLY ISSUED $61,290,000 REVENUE BONDS, CENTRASTATE MEDICAL CENTER OBLIGATED GROUP ISSUE, SERIES 1998 and $8,000,000 REVENUE BONDS, CENTRASTATE ASSISTED LIVING FACILITY ISSUE, SERIES 1998 and $41,575,000 REVENUE BONDS, CENTRASTATE MEDICAL CENTER ISSUE, SERIES 2006A and $10,000,000 2010 CAPITAL ASSET PROGRAM LOAN, CENTRASTATE MEDICAL CENTER, INC."

(attached)

5. APPROVAL OF EXPENSES

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

AB RESOLUTION NO. MM-30

WHEREAS, the members of the Authority have reviewed the memoranda dated October 18, 2012, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $39,467.42 and $21,566.00 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. Conroy thanked staff for the Project Development Summary, Cash Flow Statement, Third Quarter Budget Report and Legislative Advisory reports.

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

1. The Authority's next Finance Committee meeting is scheduled for Wednesday, November 7 at 10:00 a.m. The Finance Committee will review the revised draft budget for 2013. Because of the Thanksgiving holiday, the next Authority meeting will be held on November 15.

2. The U.S. Centers for Medicare and Medicaid approved New Jersey's waiver request from the ordinary CMS requirements, thus allowing New Jersey Medicaid patients to get care at home and to reward hospitals for improving the level of care. The approval is expected to save the State money without reducing the federal contribution to Medicaid.

3. On October 22, Governor Christie and Commissioner O'Dowd announced a $10 million increase to the State's 105 community health care centers. The centers are critical to providing a safety net to underserved communities in need of primary and preventative care and reduce the burden on emergency rooms.

4. The SEC has indicated it is considering tightening its oversight of municipal bond underwriters and setting more stringent standards for issuers' disclosure, including possibly prohibiting underwriters from underwriting bonds for issuers who have failed to meet their continuing disclosure obligations three or more times. This is critical to authorities that have high volume issuances with conduit borrowers, because the Authority puts the burden on the conduit borrower because they have the information for disclosure. The Authority will be paying close attention to this.

5. Mr. Hopkins provided a very informative article by the MSRB entitled "Understanding Municipal Market Indices, Yield Curves and Benchmarks" as an educational piece for Members to read at their leisure.

6. Hospital News

a. St. Mary's Hospital CEO Michael Sniffen has stepped down to address personal issues and he will be replaced by COO Ed Condit.

b. Recent Credit Rating Actions:

After recently placing it on review, Moody's has downgraded St. Peter's University Hospital's rating of "Baa3" to "Ba1" with an outlook of stable.

c. On October 1, CMS started initiating its penalty for readmissions within thirty days. A hospital can be penalized up to 1% of Medicare payments if it has higher than normal readmission rates for patients presenting with a heart attack, heart failure or pneumonia. Hospitals were aware that these changes were coming and should have been making adjustments, however many NJ hospitals will be receiving the penalty.

d. Valley Hospital's proposed significant expansion, which has been delayed several times as a result of community opposition, is still stalled according to a recent article.

e. Hackensack University Medical Center at Pascack Valley is on track to reopen in late spring of next year. Pascack Valley Hospital closed in 2007 and was purchased by a joint venture of Hackensack University Medical Center and Legacy Health Partners in a bankruptcy auction.

f. Community Medical Center has withdrawn its request to open a cardiac care center in Toms River. The request was opposed by nearby Deborah Heart and Lung Center. The withdrawal comes shortly after the Department of Health announced that it would be conducting a State-wide review of cardiac and elective angioplasty services.

g. Hospital Affiliations, Consolidations & Mergers

i. Hunterdon Medical Center's parent announced that it is entering into a strategic alliance with Atlantic Health System. It is not characterized as a merger but rather a sharing of services that will strengthen both hospital systems.

ii. Atlantic Health System and Chilton have announced plans to merge. Chilton will become the fourth hospital in Atlantic Health System, which also includes Morristown, Overlook and Newton Medical Centers.

iii. Barnabas Health System is reportedly in talks to partner with Jersey City Medical Center. The exact nature of the proposed relationship is not yet clear and neither party has commented on recent press reports.

iv. Trinity Health and Catholic Health East announced plans to merge on October 17. The combination of the two large Catholic health systems will span 21 states and operate more than 70 hospitals. Catholic Health East operates Lourdes Health System in Camden and Willingboro, St. Francis in Trenton and is the parent of St. Michael's in Newark.

v. The merger of South Jersey Healthcare and Underwood Memorial Hospital has received CHAPA approval of the State superior court to proceed with the merger. The merger is expected to take effect November 1.

h. Meridian Health has entered into a partnership with Geisinger Health to provide Medicare Advantage insurance to patients in Monmouth and Ocean counties. Medicare Advantage plans cover services not covered by Medicare and supplemental coverage plans. Meridian views this as a large step to becoming a fully integrated health system. This trend of hospitals partnering with insurers is expected to grow as a result of the Affordable Care Act.

7. Authority News

a. Mr. Hopkins introduced Hilary Freed, the Authority's new Database Administrator. He had informed Members when she had been hired, but this was the first meeting that she was attending. Ms. Freed has a bachelor's degree in Economics from Bucknell University. While attending Bucknell, she spent one summer working as a Research Assistant at the Rutgers Center for Health Care Policy and another summer as a Research Analyst at the Bucknell Institute for Public Policy.

This concluded the Executive Director's report.

7. EXECUTIVE SESSION

At this point, Mr. Conroy asked the Members to meet in Executive Session to discuss contractual negotiations and 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 contractual negotiations and potential litigation. Ms. Charters seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-31

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 contractual negotiations and 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.

Ms. Charters moved to approve the action discussed in Executive Session; Dr. Kazmir seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-32

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority approve the action discussed in Executive Session.

As there was no further business to be addressed, following a motion by Mr. Lovell and a second by Dr. Kazmir, the Members voted unanimously to adjourn the meeting at 11:02 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 OCTOBER 25, 2012.

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Carole A. Conover, Assistant Secretary