

Minutes of the New Jersey Health Care Facilities Financing Authority special meeting held on June 11, 2013 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); and via telephone: Greg Lovell, Designee of the Commissioner of Human Services; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Elisa Charters, Public Member; Suzette Rodriguez, Public Member and Dr. Munr Kazmir, Public Member.

*The following **Authority staff members** were in attendance:*

Mark Hopkins, Steve Fillebrown, Ron Marmelstein, Suzanne Walton, Carole Conover; Linda Hughes, Bill McLaughlin, Carl MacDonald, Edwin Fuentes and Marji McAvoy.

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

Kavin Mistry, Deputy Attorney General; Steven Petrecca, Assistant State Treasurer; Joseph Dobosh of Children's Specialized Hospital; Doug Meehan of TD Bank; Scott Kobler of McCarter & English; John Kelly of Wilentz, Goldman & Spitzer P.A.; James Saakvitne, John Gerbino and Greg Williams of Barclays; and M. Jeremy Ostow of DeCotiis, Fitzpatrick & Cole, LLP; and via telephone: Peter Simon, Governor's Authorities Unit; and Ryan Feeney, Treasury.

CALL TO ORDER

Executive Director Mark Hopkins called the meeting to order at 10:02 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. Hopkins suggested that in the absence of the Authority's Chair, and noting that the Vice Chair was participating by phone, a Chair pro tem should be named to lead the meeting. Dr. Kazmir nominated Mr. Conroy to serve as Chair pro tem; Ms. Charters seconded. The vote was unanimous and the motion carried.

1. CONTINGENT SALES

a. Children's Specialized Hospital

Mr. Carl MacDonald introduced Joseph Dobosh, VP & CFO, from Children's Specialized Hospital, Doug Meehan of TD Bank and Scott Kobler of McCarter & English.

Mr. MacDonald informed the Members that subsequent to the meeting materials being sent to Board Members, a correction was made in the Bond Resolution which identifies TD Bank, N.A. as party to the Amended and Restated Foundation Guaranty Agreement. A revised copy was provided for Members' review.

He then informed Members that they were being asked to consider a contingent sale of bonds on behalf of Children's Specialized Hospital in an aggregate principal amount not to exceed \$16,000,000 with a final maturity not to exceed July 1, 2036. The proceeds of the Series 2013 Bonds, together with other funds, will be used by the Hospital to provide funds to currently refund and redeem the Authority's outstanding Children's Specialized Hospital, Series 2005B Variable Rate Revenue Bonds, and to pay the related costs of issuance of the Series 2013 Bonds.

The Series 2013 Bonds will be issued in two series, 2013A and 2013B, and will be issued and sold on a direct purchase basis to TD Bank, N.A. The Bonds will be secured by a gross revenue pledge and a mortgage, as well as a Guaranty from the Children's Specialized Hospital Foundation. The Series 2013 Bonds are multi-modal and each series shall initially bear interest in their respective Direct Purchase Rate for the first 10 years after closing, at which time the bonds are subject to a mandatory tender unless the Hospital and the Bank have previously agreed to an extension of such mandatory tender date. At any time after closing, the Hospital has the option to convert the Series 2013 Bonds to an alternate interest rate mode as provided in the Loan & Trust Agreement pursuant to which the Series 2013 Bonds will be issued and secured. The initial Direct Purchase Rate for the Series 2013A Bonds will be set at closing and will be equal to 75% of the Bank's cost of funds plus a spread of 100 basis points. Currently, that rate is estimated at 2.68%. The initial interest established at closing will be the effective interest rate for the Series 2013A Bonds for the first 10 years after closing, subject to adjustment as provided in the Loan and Trust Agreement. The interest rate for the Series 2013B Bonds will be a variable rate, which will be determined monthly and will be equal to 75% of the sum of one month LIBOR plus a spread equal to the Bank's cost of funds plus 100 basis points. The initial Direct Purchase Rate for the Series 2013B Bonds will be set at closing and is currently estimated at 1.38%. Thereafter, the interest rate for the Series 2013B Bonds will be reset monthly, subject to adjustment as provided in the Loan and Trust Agreement.

In accordance with Authority policy, management was required to submit financial projections. The projections covering the years 2013 through 2014 were sent to Members and have been reviewed by Staff subsequent to the mailing.

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

BOND RESOLUTION

Mr. Kelly stated that the Bond Resolution authorizes the issuance of the Series 2013 Bonds in two separate series, the Series 2013A Bonds and the Series 2013B Bonds, in a combined aggregate principal amount not in excess of \$16,000,000. The Bond Resolution provides that the Series 2013A Bonds and the Series 2013B Bonds shall mature no later than July 1, 2036. For the first 10 years after closing and for so long as the Bank is the holder of the Series 2013 Bonds or the Series 2013 Bonds have not been converted to another interest rate mode, the Series 2013 Bonds will bear interest at the Direct Purchase Rate. The Bond Resolution provides that the Direct Purchase Rate for the Series 2013A Bonds will be a fixed interest rate, provided that such Direct Purchase Rate shall not exceed 3.75%. With respect to the Series 2013B Bonds, the Bond Resolution provides that the Direct Purchase Rate will be a variable rate determined monthly and

will be equal to 75% of the sum of one month LIBOR plus a spread equal to the Bank's cost of funds plus 100 basis points. The initial monthly Direct Purchase Rate for the Series 2013B Bonds will be determined at closing, provided that such initial Direct Purchase Rate shall not exceed 3.75%. If either series of the Series 2013 Bonds is converted at any time after issuance to another interest rate mode, the Series 2013 Bonds so converted will bear interest at the applicable interest rate, as determined in accordance with the Loan and Trust Agreement; provided, however, that in no event shall the interest rate on any Series 2013 Bond exceed 12.00% per annum. While the Series 2013 Bonds bear interest at the Direct Purchase Rate, the interest rate on the Series 2013 Bonds is subject to adjustment upon the occurrence of a ratings upgrade or downgrade of any Hospital parity debt or an event of default, all as more fully provided in the Loan and Trust Agreement. The Series 2013A Bonds and the Series 2013B Bonds are subject to mandatory tender for purchase 10 years after their date of issuance, unless an extension of such 10-year period is agreed to by the Hospital and the Bank. Each series of the Series 2013 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 optional "make-whole" redemption of the Series 2013 Bonds.

The Bond Resolution further provides that the Series 2013 Bonds will be issued under and pursuant to a Loan and Trust Agreement, dated as of October 1, 2005, by and among the Authority, the Hospital and the Trustee, as amended by a Series 2013 Supplemental Loan and Trust Agreement authorizing the issuance of the Series 2013 Bonds. When issued, the Series 2013 Bonds will be payable and secured under the Loan and Trust Agreement on parity with the Authority's currently outstanding Series 2005A Bonds issued for the benefit of the Hospital. The Series 2013 Bonds and the Series 2005A Bonds will be secured by payments made by the Hospital pursuant to the Loan and Trust Agreement. Additional security for the Series 2013 Bonds and the Series 2005A Bonds under the Loan and Trust Agreement includes a gross receipts pledge of the Hospital and a mortgage on various Hospital properties. The obligations of the Hospital under the Loan and Trust Agreement and its agreement with the Bank will also be guaranteed by the Foundation pursuant to an Amended and Restated Guaranty Agreement from the Foundation to the Authority, the Trustee and the Bank, as Purchaser of the Series 2013 Bonds.

The Bond Resolution approves the form of and authorizes the execution of a Direct Bond Purchase Agreement by and among the Authority, the Hospital, the Foundation and TD Bank, N.A., in its capacity as purchaser of the Series 2013 Bonds, prior to the close of business on August 23, 2013. No disclosure document is being prepared in connection with the issuance of the Series 2013 Bonds and, as a result, the Bond Resolution also requires the Bank to provide the Authority with a travelling investor letter on or prior to the date of closing.

In addition, the Bond Resolution approves the form of, and authorizes the execution and delivery of, the Series 2013 Bonds, the Series 2013 Supplemental Loan and Trust Agreement, the Amended and Restated Foundation Guaranty Agreement and a Calculation Agent Agreement for the Series 2013 Bonds, by and among TD Bank, the Authority, the Hospital and the Trustee, which provides that TD Bank will perform the functions of the Calculation Agent under the Loan and Trust Agreement.

The Bond Resolution also appoints TD Bank National Association as Trustee for the Series 2013 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 Direct Bond Purchase Agreement, the Supplemental Loan & Trust Agreement, the Amended and Restated Foundation Guaranty Agreement, the Calculation Agent Agreement, the completion of the refunding of the Series 2005B Bonds and the issuance and sale of the Series 2013 Bonds.

Mr. Conroy asked the Members' pleasure with respect to the adoption of the Resolution on behalf of Children's Specialized Hospital. Dr. Kazmir offered a motion to adopt the resolution; Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-01

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the Bond Resolution entitled "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, CHILDREN'S SPECIALIZED HOSPITAL ISSUE, SERIES 2013."

(attached)

Mr. Dobosh thanked all involved in the transaction, specifically Ms. Suzanne Walton who allowed the item to be placed on the Special Meeting agenda.

b. University Hospital

Mr. Bill McLaughlin informed the Members that he would be requesting approval of a contingent sale of Bond Anticipation Notes on behalf of the University Hospital. He stated that Steven Petrecca, the Assistant State Treasurer was present on behalf of University Hospital.

Members were reminded that University Hospital is due to become an instrumentality of the State as a result of the New Jersey Medical and Health Sciences Education Restructuring Act signed into law on August 22, 2012. The Act essentially divided the University of Medicine and Dentistry among Rutgers University and Rowan University, and creates a stand-alone University Hospital. The Act requires the State to provide funding to University Hospital at a level that is sufficient to maintain the level of community services provided and to provide assistance in financing its outstanding debt. Further, it allows for administrative action to be taken on behalf of University Hospital prior to the operative date outlined in the Act.

He stated that in keeping with the requirements of the Act, the Office of Public Finance, on behalf of University Hospital, has requested that the Authority undertake a tax-exempt negotiated sale of approximately \$150 million of Revenue Bond Anticipation Notes in the form of a private placement. The proceeds of the Notes will be used to refund the portion of the debt of UMDNJ attributable to University Hospital; to finance capital assets in the Borrower's budget; to finance other items in the Borrower's initial operating budget; and to pay the costs of issuance.

The Series 2013A and Series 2013B Notes will be privately placed with, and directly purchased by Barclays Capital, or an affiliate, and will be secured by certain revenues pledged by the Borrower, including an account into which State Appropriations for Charity Care, Graduate Medical Education, and Hospital Delivery Systems Reform Incentive Payments are deposited; gross revenues; and proceeds of any other bond or note issued by or on behalf of the Borrower; and any Unrestricted Funds of the Borrower.

He stated that the proposed transaction will be at a maximum amount of \$150,000,000 of tax-exempt bond anticipation notes in two series, 2013A, which will be tax-exempt, and 2013B which will be taxable; will be structured as a variable rate financing; and will be unrated. The initial interest rate on the Notes will be SIFMA plus 5.00% and following the initial period, the Notes shall bear interest at the Adjusted SIFMA Rate, which shall be determined as outlined in the Trust Agreement and Series 2013A Note.

University Hospital will continue to operate as a 467-bed acute care hospital. Located in Newark, University Hospital will continue to serve as Level I Trauma Center, Regional Perinatal Center and primary teaching hospital of the Newark-based medical school.

Mr. McLaughlin then introduced M. Jeremy Ostow, Esq. of DeCotiis, Fitzpatrick & Cole, LLP, Bond Counsel, to present the Resolution pertaining to the transaction.

RESOLUTION

Mr. Ostow stated that the Resolution authorizes the issuance of the tax-exempt Series 2013A and Series 2013B (Federally Taxable) Bond Anticipation Notes in an aggregate principal amount not in excess of \$150,000,000 for the purpose of making a loan to University Hospital. The proceeds of which, together with other moneys provided by the Borrower, will be used to refund its share of the UMDNJ outstanding bonds and to finance certain capital and other items in its budget for the next fiscal year.

The Notes shall bear interest at an initial rate to be set at closing, through the first adjustment date, and then shall be the Adjusted SIFMA Rate, with a maximum rate of 12% per year.

The Notes will have a final maturity date of no later than July 15, 2017 and be subject to redemption prior to maturity as set forth therein, provided, that the redemption price cannot be greater than 105%. The Series 2013A and Series 2013B Bond Anticipation Notes will be issued under the Resolution Authorizing the Issuance of New Jersey Health Care Facilities Financing Authority Revenue Bond Anticipation Notes, University Hospital Series 2013 and will be secured by payments to be made by University Hospital under its Loan Agreement with the Authority, as evidenced and secured by a Series 2013A Promissory Note and a Series 2013B Promissory Note, and amounts on deposit in certain funds held by the Trustee.

The Notes will be sold in a direct placement to Barclays Capital Inc. or an affiliate, provided that the 2013 Notes shall be sold to the Purchaser at a price equal to 100% of the principal amount thereof, and that prior to, or simultaneously with, the issuance and delivery of the Series 2013 Notes, the Authority shall receive an executed “investor letter” from the Purchaser in form and

substance satisfactory to an Authorized Officer, as hereinafter defined, of the Authority or other written evidence of compliance with applicable securities law, including assurances that the Series 2013 Notes can only be transferred to “qualified institutional buyers.”

Additionally, the Resolution approves the form of, and authorizes the execution of, the Series 2013A and Series 2013B Notes, Loan Agreement, Lockbox Agreement, Trust Agreement and Direct Note Purchase Agreement. Further, the Resolution appoints Bank of New York Mellon as Trustee, Note Registrar and Paying Agent for the Series 2013A and Series 2013B Notes. 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 issuance of the Series 2013A and Series 2013B Notes.

Ms. Charters asked for examples of some of the capital asset projects in the Borrower’s budget. Mr. Ostow responded that the involved parties would be going through that with the hospital, but have not received that information yet. The funds for the projects will be allocated to the extent they are available; however the primary purpose of the new money component of the financing is to help University Hospital with cash flow. There will be a meeting on Friday to get a better handle on that. Mr. Mark Hopkins added that University Hospital has a wish list which exceeds the amount of the financing. Not all of the items on the list can be financed. Mr. Steve Fillebrown added that two of the major items at the top of the list are the HVAC system and the Emergency Department.

Mr. Conroy asked the Members' pleasure with respect to the adoption of the Resolution on behalf of University Hospital. Dr. Kazmir offered a motion to adopt the resolution; Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-02

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 REVENUE BOND ANTICIPATION NOTES, UNIVERSITY HOSPITAL ISSUE, SERIES 2013.”

(attached)

As there was no further business to be addressed, following a motion by Ms. Charters and a second by Dr. Kazmir, the Members voted unanimously to adjourn the meeting at 10:23 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 JUNE 11, 2013.

Carole A. Conover, Assistant Secretary