Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on October 24, 2013 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** *were in attendance:*
Brian O'Neill, Designee of the Commissioner of Health (Chairing); Greg Lovell, Designee of the Commissioner of Human Services; and via telephone: Mary Ann Kralik, Designee of the Commissioner of Banking & Insurance; Dr. Munr Kazmir, Public Member; Suzette Rodriguez, Public Member and Elisa Charters, Public Member.

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Stephen Fillebrown, Ron Marmelstein, Suzanne Walton, Michael Ittleson, Linda Hughes, Bill McLaughlin, Carl MacDonald, Taryn Jauss, Ellen Lieber, Marji McAvoy Jessica Lucas, Edwin Fuentes and Esteban Cabrera.

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones, Deputy Attorney General; Brian McGarry, Attorney General's Office; Peter Simon, Governor's Authorities Unit; Ryan Feeney, Treasury; Gerry Lowe and Robert Osler of Virtua; Dorit Kressel and Celine Barakat of Wolff & Samson PC; Michael Lynch of Bartley Healthcare; John Kelly of Wilentz, Goldman & Spitzer, P.A.; Gail Kosyla of Hunterdon Medical Center; Jan Blazewski of Raymond James; Juraj Meler; Doug Placa of JNESCO; Dr. James Kostinas of David Kostinas Associates; and Jeremy Ostow of Decotiis FitzPatrick & Cole (via telephone).

CALL TO ORDER

Executive Director Mark Hopkins called the meeting to order at 10:02 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 23, 2013 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 the *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 as the Vice Chair was participating by phone, a Chair pro tem should be named. Mr. Lovell nominated Brian O'Neill to serve as Chair pro tem for the October 24, 2013 meeting and Dr. Kazmir seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-26

NOW, THEREFORE, BE IT RESOLVED, that, in the absence of the Authority's Chairperson and Vice Chairperson, Brian O'Neill will serve as the chair pro tem for the October 24, 2013 Authority meeting.

1. **APPROVAL OF MINUTES**
   a. **<u>September 26, 2013 Authority Meeting</u>**

Minutes from the Authority's September 26, 2013 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Ms. Charters seconded. The vote was unanimous and the motion carried.

2. **TEFRA HEARING & CONTINGENT BOND SALE**
   <u>Virtua Health</u>

Mr. O'Neill announced that the following portion of the meeting would be considered a public hearing in connection with the proposed transactions on behalf of Virtua Health and Bartley Assisted Living. 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.

Representatives from Virtua Health, Mr. Gerry Lowe, Senior Vice President for Finance and Mr. Robert Osler, Assistant Vice President for Treasury introduced themselves.

Mr. Bill McLaughlin informed the Members that he would be requesting approval of a contingent sale of bonds on behalf of Virtua Health. Mr. McLaughlin stated that Virtua is a New Jersey not-for-profit organization, which operates two hospital groups, Virtua-Memorial Hospital of Burlington County and Virtua-West Jersey Health System. Memorial is a 383-licensed-bed facility located in Mount Holly and West Jersey is a 592-licensed-bed system that operates three general acute care hospitals in Berlin, Marlton, and Voorhees.

He stated that the proposed transaction will be at a maximum amount of $167,000,000 of tax-exempt bonds; will be structured as a fixed-rate financing; and is expected to be sold on the basis of Virtua's credit rating. He stated that Virtua is currently rated A by S&P and A+ by Fitch. The Working Group does not expect any change to these ratings as a result of the proposed transaction.

The proceeds of the proposed transaction are expected to be used to: currently refund the remaining portion of the Authority issued Series 1998 bonds; currently refund a portion of the Authority issued Series 2009A bonds; fund a debt service reserve, if necessary; and pay the related costs of issuance. Based on a recent refunding analyses, the proposed transaction would yield net present value savings of $15.91 million, or 10.02% of refunded bonds. He reminded Members that bond refundings are interest rate sensitive, therefore the final decision on what is included in the financing will be made closer to the time of pricing.

Mr. McLaughlin then introduced Ms. Dorit Kressel of Wolff & Samson PC, the Bond Counsel, to present the Series Resolution pertaining to this transaction.

<u>SERIES RESOLUTION</u>

Ms. Kressel stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2013 Bonds in an aggregate principal amount not in excess of $167,000,000 and at a true interest cost not to exceed 6.25% per annum. The Series 2013 bonds will be issued for the purpose of providing funds to currently refund all or a portion of the Authority's outstanding revenue bonds, Virtua Health Issue, Series 2009A and outstanding revenue refunding bonds, Virtua Health Issue, Series 1998, funding a debt service reserve fund, if necessary, and paying the costs of issuance of the Series 2013 Bonds. The Series 2013 Bonds will have a final maturity date of no later than July 1, 2035 and be subject to redemption prior to maturity as set forth therein, provided, that the redemption price cannot be greater than 102%. The Series 2013 Bonds will be issued under the Authority's General Bond Resolution and this Series Resolution, and will be secured by payments to be made by Virtua Health Inc., Virtua Memorial Hospital Burlington County, Inc. and Virtua West Jersey Health System, Inc., collectively, "Virtua," under their Loan Agreement with the Authority, as evidenced and secured by a Promissory Note, and amounts on deposit in certain funds held by the Bond Trustee. The Promissory Note will be issued under a supplemental Master Trust Indenture by and among Virtua and The Bank of New York Mellon, as Master Trustee. The Promissory Note will be secured by a gross receipts pledge of the Obligated Group under the MTI along with a mortgage on certain Obligated Group properties.

Additionally, the Series Resolution approves the form of, and authorizes the execution of, the Series 2013 Bonds, Loan Agreement, Preliminary Official Statement, Official Statement, and the Letters of Instructions. Further, the Series Resolution appoints Bank of New York Mellon as Trustee, Bond Registrar and Paying Agent for the 2013 Bonds. The Series Resolution also authorizes the execution of the Bond Purchase Contract with Morgan Stanley, the Underwriter, at an underwriting discount, including counsel fees, not in excess of $8.50 per $1,000 principal amount of 2013 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 issuance of the Series 2013 Bonds and the refunding of the bonds to be refunded.

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

AB RESOLUTION NO. NN-27

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Series Resolution entitled, "A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE REFUNDING BONDS, VIRTUA HEALTH ISSUE, SERIES 2013."

(attached)

Co-Managers

Ms. Walton reminded the Members that last month they approved co-manager appointments on the Virtua Health transaction. The management team would comprise of Morgan Stanley and J.P. Morgan as co-senior managers, and three co-managers: Academy Securities, Ziegler and Edward Jones.

Staff has been notified by the firm of Edward Jones that currently it is unable to provide the necessary vendor certifications and political contribution disclosure required under Public Law 2005, Chapter 271, and as a result, would not be eligible to participate as a co-manager on an Authority transaction. Therefore, Staff requested the appointment of a replacement co-manager.

The Authority assigns co-managers based on a rotational process whereby the first co-manager is selected by the Authority, the second by the borrower, the third by the Authority and so on. The existing complement of co-managers reflected this process; the Authority selected two co-managers – Academy Securities and Ziegler, and the Borrower selected one firm – Edward Jones. In keeping with this practice, Virtua would be entitled to recommend a co-manager to replace their selection of Edward Jones.

Virtua has indicated a desire to have the firm of TD Securities appointed as a co-manager based on their long standing banking relationship, its experience, distribution capabilities on both the institutional and retail side; and willingness and ability to commit capital.

Therefore, Staff requested the Members' approval to add TD Securities as a co-manager on the Virtua Health transaction.

Dr. Kazmir made a motion to approve the naming of TD Securities as co-manager to replace Edward Jones on the Virtua Health transaction. Ms. Rodriguez seconded the motion. Mr. O'Neill, Ms. Kralik, Mr. Lovell, Ms. Rodriguez and Dr. Kazmir voted yes. Ms. Charters abstained, and the motion carried.

AB RESOLUTION NO. NN-28

> **NOW, THERFORE, BE IT RESOLVED,** that the Authority hereby approves the naming of TD Securities as co-manager to replace Edward Jones on the Virtua Health transaction.

Mr. Lowe thanked the Board for its approval and thanked the Authority Staff, specifically Mr. Hopkins, Ms. Walton and Mr. McLaughlin, for their help. He noted that Virtua would be realizing $15 million in present value savings that will be put to good use elsewhere.

3. TEFRA HEARING & AMENDMENT TO BOND DOCUMENTS
<u>Bartley Assisted Living</u>

Mr. Carl MacDonald introduced Michael Lynch, Assistant Administrator and Director of Development, of Bartley Assisted Living, a 71-unit assisted living and special care facility located in Jackson Township.

Mr. MacDonald informed the Members that the Authority issued Series 2000 Bonds for Bartley in the amount of $9,998,591 to finance a portion of the costs of constructing and equipping their assisted living facility. As of October 1, 2013, there are approximately $5 million of bonds outstanding with a final maturity of February 1, 2025. The Authority loan is secured by a gross revenue pledge and a first lien mortgage on the facility.

The Series 2000 Bonds were originally privately placed with Commerce Bank, now TD Bank through merger, and issued for a term of 25 years. The interest rate was scheduled to reset every five years and was indexed to the five-year Treasury bond. Currently the bonds are paying interest at a rate of 2.46% as of October 22 and are subject to optional tender for purchase with at least 30 days prior written notice from TD Bank on February 1, 2015, and February 1, 2020.

As a result of the current market environment, Bartley Assisted Living and TD Bank have negotiated new terms to the Series 2000 issue. Bartley and the bank wish to make certain amendments and modifications to the Series 2000 issue: The first amendment would extend the final maturity of the 2000 Bonds to December 1, 2033 and provide a revised amortization schedule. Secondly, the provisions relating to the manner in which the interest rate on the bonds is determined and calculated will be amended to be set now at the bank's cost of funds plus 175 basis points, or 2.82% as of September 2013 and reset on each of November 15, 2018, November 15, 2023 and November 15, 2028, at the bank's then current cost of funds plus 175 basis points. Lastly, tender provisions of the bonds will be amended to provide that the bonds will now be subject to mandatory purchase on each of November 1, 2018, November 1, 2023 and November 1, 2028 unless TD Bank otherwise agrees that the bonds can remain outstanding. Accordingly, Bartley has asked the Authority to amend the documents to reflect these changes.

Staff provided substantially finalized documents on the table for Members. Because the requested changes to the bonds will result in a "re-issuance" of the bonds for federal tax law purposes, Staff asked bond counsel to be available to answer any questions Members may have regarding the resolution and amending documents.

Following a question from Mr. Lovell, it was clarified that the interest rates will be calculated using the bank's cost of funds plus 175, not 174, basis points as stated in the materials sent to Autority Members prior to the meeting.

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

AB RESOLUTION NO. NN-29

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Resolution entitled, "RESOLUTION AUTHORIZING AND APPROVING A SECOND AMENDMENT TO TRUST INDENTURE, A REPLACEMENT BOND CERTIFICATE AND AN ENDORSEMENT OF A REPLACEMENT NOTE CERTIFICATE IN CONNECTION WITH THE AUTHORITY'S OUTSTANDING REVENUE BONDS (BARTLEY ASSISTED LIVING, LLC ISSUE, SERIES 2000)."

(attached)

Mr. O'Neill then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended regarding the proposed transactions on behalf of Virtua Health and Bartley Assisted Living.

4. NEGOTIATED PRIVATE PLACEMENT REQUEST
<u>Hunterdon Medical Center</u>

Mr. Mark Hopkins introduced Gail Kosyla, CFO of Hunterdon Medical Center.

Mr. Hopkins informed the Members that Hunterdon Medical Center has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt negotiated sale of approximately $22 million in the form of a private placement.

Hunterdon is a not-for-profit, 178-bed acute care medical center located in Flemington, New Jersey which provides inpatient, outpatient and emergency care services for the residents of Hunterdon County and surrounding areas. The medical center is an affiliated member of the Hunterdon Healthcare System, Inc. The system is also the controlling entity for Hunterdon Medical Center Foundation, Inc., Hunterdon Regional Community Health, Inc. and Midjersey Health Corporation, a for-profit entity.

Proceeds of the proposed bond issue will be used to fund a cardiovascular and vertical expansion project consisting of a build-out of the second and third floors and vertical expansion of the fourth and fifth floors to accommodate cardiac expansion, including, but not limited to, cardiac rehabilitation.

The medical center had an excess of revenues over expenses of $11.7 million in 2012 and $19.3 million in 2011. Unaudited numbers reflect an excess of revenues over expenses of $7.2 million for the first seven months of 2013.

Hunterdon issued debt through the Authority in 1990, 1994, 2006 and 2009 totaling $73,826,000 of which approximately $46 million remains outstanding.

Hunterdon has asked that the Authority permit the use of a negotiated sale based on: (1) a complex financing structure that may involve the simultaneous sale of more than one series with each series structured differently; (2) volatile market conditions and (3) components of variable rate debt. These reasons are 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. Hunterdon, along with its financial advisor, provided justification that a private placement would be most fitting for the institution's complex credit; provide efficiency in regards to interest rates; and expedite the issuance of bonds. Therefore, Mr. Hopkins recommended the consideration of the resolution, provided in Members' meeting materials, 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.

Hunterdon is in the process of soliciting proposals from several banks who have indicated a desire to enter into a direct bank placement. Upon receipt and following a thorough review of the proposals, Hunterdon will select the bank based on price, financial strength of the institution, diversification of credit risk and market knowledge.

Staff anticipates conducting an informational presentation at the November meeting followed by a request for a contingent bond sale at the December meeting.

In response to a question from Mr. O'Neill of why Hunterdon was choosing to complete this financing now, Ms. Kosyla stated that this is a long term project, and looking at the organization's financials, it has determined it has some capacity to do this now and to take advantage of the favorable interest rate environment.

Mr. O'Neill 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 Hunterdon Medical Center. Mr. Lovell offered a motion to adopt the resolution; Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-30

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. ADOPTION OF WRITEN POST ISSUANCE COMPLIANCE PROCEDURES <u>University Hospital</u>

Ms. Taryn Jauss introduced Jeremy Ostow of Decotiis FitzPatrick & Cole who served as bond counsel on the University Hospital transaction and was joining the meeting by phone.

Ms. Jauss informed the Members that in July of this year, the Authority, at the request of the Office of Public Finance, issued Bond Anticipation Notes on behalf of University Hospital 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.

Under recent federal tax rules, upon the issuance of the bonds, the issuer and the borrower have a significant number of post-issuance obligations with regard to monitoring a bond issue for compliance with federal tax rules in order to maintain the tax-exempt status on the bonds.

In order to comply with the recent federal tax rules, the Authority needs to develop written procedures for post issuance tax compliance in connection with such bonds and any future bonds that may be issued by the Authority pursuant to the University Hospital Indenture to preserve the tax-exempt status of the bonds and any refunding bonds by establishing procedures for: identifying uses that may constitute private use; managing and tracking changes in use, accomplishing remedial action when necessary; and ensuring compliance with the arbitrage requirements of the Internal Revenue Code of 1986.

Staff requested the Board's adoption of a Resolution which authorizes the adoption of Post Issuance Tax Compliance Procedures and authorizes the Executive Director or Deputy Executive Director to develop and amend from time to time, in consultation with bond counsel for the Bonds and the State Attorney General, the procedures. She noted that the Resolution that was in the Board Mailing has had minor title changes to match the Authority Staff titles and updated copies were provided to Members. The procedures shall be substantially in the form of <u>Exhibit A</u> attached to the Resolution with such changes, additions or omissions as the Authorized Officer, in consultation with Bond Counsel and the State Attorney General, determines is necessary or appropriate.

The Resolution also authorizes an Authorized Officer of the Authority to appoint a Tax Compliance Officer who shall have primary responsibility to carry out the procedures.

Dr. Kazmir offered a motion to adopt the resolution in regards to the University Hospital post issuance tax compliance procedures; Mr. Lovell seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-31

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION AUTHORIZING THE ADOPTION OF POST ISSUANCE TAX COMPLIANCE PROCEDURES, DESIGNATION OF A TAX

COMPLIANCE OFFICER AND OTHER MATTERS WITH RESPECT TO THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BOND ANTICIPATION NOTES, UNIVERSITY HOSPITAL ISSUE, SERIES 2013A."

(attached)

Mr. Hopkins informed the Members that originally there had been an agenda item at this point regarding the adoption of prevailing wage regulations. However, that will be postponed until the next meeting as they are still under review.

6. APPROVAL OF EXPENSES

Mr. O'Neill referenced a summary of Authority expenses and invoices. Dr. Kazmir offered a motion to approve the bills and to authorize their payment; Ms. Rodriguez seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-32

WHEREAS, the members of the Authority have reviewed the memoranda dated October 16, 2013, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $29,915.70 and $8,782.91 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.

7. STAFF REPORTS

Mr. O'Neill 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. Members of the Authority's Finance Committee, Dr. Kazmir, Ms. Charters and Ms. Rodriguez, were reminded that the next Finance Committee meeting will be held on Wednesday, November 6 at 10:00 a.m. to consider the Authority's 2014 budget.

2. Authority Members were also reminded that mandatory annual ethics training required by Executive Order #41 (Codey 2005) needs to be completed by no later than November 12. A

copy of the instructions for taking the ethics training online were previously provided by e-mail and were being provided again at the meeting. This applies to Public Members.

3. Ms. Charters and Dr. Kazmir were reminded that the Bond Buyer Healthcare and Higher Education Super Conference will be held next Monday and Tuesday at the Crown Plaza Times Square Hotel in New York City. Several Authority Staff members will be attending as well.

4. Hospital & Other News

a. The Leapfrog Group has published grades for patient safety for hospitals nationwide. According to a Star Ledger article, the grades for New Jersey's hospitals make it the ninth safest state. A complete list of the Leapfrog Group's grades for New Jersey hospitals was provided.

b. Another of a series of Ridgewood Planning Board meetings on Valley Hospital's proposed expansion was held Tuesday night. The Board heard an expert testify on behalf of the group who opposes the expansion plans. The expert cited Valley's opposition to reopening Pascack Valley Hospital because, as Valley then contended, there were too many hospital beds in the region. The expert's testimony was limited by objections from Valley's attorney. Another Planning Board meeting is scheduled on the Valley expansion for October 29.

c. The National Association of Health and Educational Facilities Finance Authorities, the trade group to which the Authority belongs, commissioned a study by IHS Global, Inc. analyzing the economic impact of capping the value of tax exemption for bonds issued on behalf of non-profit organizations at 28%, as proposed by President Obama, as well as the impact of eliminating all tax-exemption on municipal bonds completely, as proposed by some members of Congress. The analysis estimates that the 28% cap would result in a decrease in capital spending by non-profits of $5.8 billion per year and eliminating tax-exemption altogether would result in a $16.6 billion drop per year. The proposed 28% cap would also result in a drop in GDP of $8.3 billion and a loss of 105,000 jobs. The total elimination of tax-exemption for bonds issued for non-profit projects would result in a $23.6 million drop in GDP and a loss of almost 300,000 jobs.

d. Hunterdon Medical Center has broken ground on its new cardiovascular center, which was the subject of today's negotiated private placement request.

e. Raritan Bay Medical Center has begun construction of a new medical office building on its Old Bridge campus. It is being financed and developed by Landmark Healthcare Facilities LLC of Milwaukee.

f. Deborah Heart & Lung Center dedicated a new pulmonary center early this month named in the honor of Princeton entrepreneur Greg Olsen and his pulmonary doctor, Dr. David Murphy of Deborah. Mr. Olsen was attempting to become one of the few civilians to orbit the earth but was initially and repeatedly denied the opportunity due to a lung condition. He consulted with Dr. Murphy at Deborah and, after the two convinced the Russian space program that it was safe, became only the third civilian to orbit the earth in 2005.

g. JFK Health Services' proposal to build a mixed-use development on the site of its former Muhlenberg Regional Medical Center, housing up to 600 apartments as well as some retail and healthcare services, has met with opposition from some elected officials in Plainfield. The Plainfield city council voted to hire its own planning consultant to report on the best uses for the site.

h. On October 7, U.S. Senator Robert Menendez, U.S. Representative Rob Andrews, Governor Chris Christie and Cooper University Health System Chair George Norcross christened the cancer treatment center Cooper Hospital is operating in partnership with the nationally renowned MD Anderson Cancer Center.

i. Robert Wood Johnson University Hospital and Somerset Medical Center have finalized their agreement to merge. An application for the merger has been filed with the Attorney General's office and both hospitals hope the merger will take effect sometime next year.

j. The Inspira Health Network named John Di Angelo as the South Jersey health system's new president and CEO effective January 1, 2014. Mr. DiAngelo has been with the organization for 13 years and is currently the chief financial officer and executive vice president. He will succeed Chet Kaletkowski, who announced his plans to retire more than two years ago.

k. The following ratings actions were taken in the last month:

(i) S&P revised the outlook from negative to stable on 2008 bonds issued by the Authority on behalf of St. Joseph's Healthcare, which are rated BBB-minus. S&P cited "improved operating performance and balance sheet" for the outlook change.

(ii) Moody's has affirmed the Baa3 rating on approximately $31 million of Authority bonds issued on behalf of Children's Specialized Hospital and the outlook remains stable.

(iii) Fitch has upgraded the rating of Catholic Health East from A-plus to AA as a result of its merger with Trinity Health. The prior week Moody's upgraded CHE to Aa2 from A2. CHE is the parent of Lourdes Medical Center of Burlington County in Willingboro, Our Lady of Lourdes Medical Center in Camden, St. Francis Medical Center in Trenton and St. Michael's Medical Center in Newark, although the latter is not part of the CHE obligated group.

l. Numerous other articles were provided regarding changes in the health care industry being spurred on by the Affordable Care Act, both in New Jersey and nationwide, including: (i) AmeriHealth New Jersey and Cooper University Health Center's co-branded insurance products designed to be purchased by individuals and small businesses on the State health insurance exchange; (ii) the creation of an Accountable Care Organization by Robert Wood Johnson Medical School and Robert Wood Johnson University Hospital; (iii) the expected increase in hospital mergers; (iv) hospitals seeking to add newly insured patients from the health care insurance marketplace and Medicaid expansion; (v) providers touting healthier patients and fiscal savings resulted from coordinated care; and (vi) the view of several hospital CEOs on the future of healthcare and the Affordable Care Act.

m. The CHAPA and Certificate of Need regulatory processes are continuing for Prime Healthcare Services acquisition of St. Mary's and St. Michael's. Other than that, there is nothing further to report on those two hospital transactions and they will not need to be discussed in Executive Session.

n. Mr. Hopkins introduced and welcomed Mr. Esteban Cabrera, the Authority's unpaid intern who is working in the office one day a week. He is scheduled to graduate in the spring from Rutgers Bloustein School of Public Policy with a bachelor's degree in Public Health.

5. As Mr. Hopkins was sick for almost all of the National Association of Health and Educational Facilities Finance Authority (NAHEFFA) fall 2013 conference, he asked Mr. Steve Fillebrown to provide an overview. Mr. Fillebrown informed the Members that NAHEFFA held

its fall conference in Philadelphia on October 7 through October 9. The convenient location allowed several Authority Staff members to attend all or at least some of the sessions.

There was a good range of interesting and relevant presentations and panels. Information included a market update saying to expect continued volatility until funds flow in and out stabilizes; an SEC update saying to expect greater number of disclosure cases; and information on the impact of health care reform on providers, saying to expect a greater emphasis on quality and value. There was also an investor panel that offered specific advice on pre-marketing efforts.

There were many updates on happenings in Washington, including:

- Much discussion about the shutdown and whether tax reform would end up being part of the resolution. Although we now know the answer was no, the issue is still in play.
- The possible cap on deductions or the elimination of tax-exempt bonds.

There was an informative session on key trends and factors in ratings delivered by former Authority Executive Director Edith Behr who now works at Moody's. Information was also presented on post issuance compliance, including the elements of an effective program and explaining that issuers should care because of the cost of defending tax-exempt status, possible damaged reputation in the market and possible financial settlements with bondholders. Copies of most presentations are available at the NAHEFFA website, naheffa.com.

In regards to the SEC update noting there will be more disclosure cases, Mr. Rones asked if these would be related to the terms of bonds or in respect to the underlying credit. Mr. Fillebrown responded that it has to do with the underlying credit and whether there has been complete disclosure on the credit risks. Mr. Rones asked if, in the Authority's case, in would relate to Appendix A, which Mr. Fillebrown confirmed.

8. EXECUTIVE SESSION

At this point, Mr. O'Neill asked the Members to meet in Executive Session to discuss potential litigation and receive legal advice regarding Deborah Heart & Lung Center and Jersey Shore Medical Center. As permitted by the Open Public Meetings Act and the Authority's By-laws, Dr. Kazmir moved to meet in Executive Session. Ms. Charters seconded. The vote was unanimous and the motion carried. Mr. O'Neill noted that the results of this discussion will be made public when the need for confidentiality no longer exists.

AB RESOLUTION NO. NN-33

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 and receive legal advice regarding Deborah Heart & Lung Center and Jersey Shore Medical Center,

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 Dr. Kazmir and a second by Mr. Lovell, the Members voted unanimously to adjourn the meeting at 10:48 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 24, 2013.

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Stephen M. Fillebrown, Assistant Secretary