Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on August 25, 2016 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** *were in attendance:*
Dr. Munr Kazmir, Vice Chair (Chairing); Alison Gibson, Designee of the Commissioner of Health; Maryann Kralik, Designee of the Department of Banking and Insurance; Jessica Feehan, Designee of the Commissioner of Human Services; and, via telephone, Suzette Rodriguez, Public Member.

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Ron Marmelstein, Frank Troy, Bill McLaughlin, Carole Conover, Marji McAvoy, Carl MacDonald, Ellen Lieber, Taryn Rommell, Edwin Fuentes, Debra Coons, John Johnson, Nino McDonald, Neetu "Nikki" Thukral, Bernie Miller and Chris Kniesler.

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones, Attorney General's Office; James Foley, Department of Health; Scott Kobler, McCarter English; John Draikiwicz of Gibbons P.C.; John Kelly, Wilentz, Goldman & Spitzer, P.A.; Karen Lumpp, Senior Vice President and Chief Financial Officer, Trinitas; Keith Van Fleet, Controller and Kay Driebe, Director of Accounting, Atlantic Health System; Dorit Kressel, Chiesa Shahinian & Giantomasi PC; David Hughes, Chief Financial Officer and Robert Wood, Director of Finance, Shore Medical Center; Jay Picerno, Chief Operating Officer, and Eileen Urban Senior Vice President and Treasurer, RWJBarnabas; Kay Fern, Evergreen Financial Services; Katie Meyers and Craig Kornett, Citi Bank; David Weprin and Peggy Finn, Stern Brothers; Richard Slotkin, Sill Cummis & Gross; George Benham, TD Bank; Rob Barbara, Ecleo; and, via telephone, Lisa LeBoeuf, Governor's Authorities Unit

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:06 a.m. and announced that this was a regular Meeting of the Authority, held in accordance with the schedule adopted at the May 26, 2016 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.

1. APPROVAL OF MINUTES
July 28, 2016 Authority Meeting

Minutes for the Authority's July 28, 2016 Authority meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Ms.

Gibson made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the minutes were approved.

2. TEFRA HEARING AND CONTINGENT BOND SALE
Atlantic Health System

Dr. Kazmir announced that the following portion of the meeting was a public hearing in connection with the Atlantic Health System transaction. He stated that 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.

Dr. Kazmir called on Carl MacDonald to provide the Members with a report on the Atlantic Health System transaction.

Mr. MacDonald began by introducing Kay Driebe, Director of Accounting from Atlantic Health System.

Mr. MacDonald informed the Members that Atlantic Health System ("AHS") is a 501(c) (3) not for profit organization that currently operates the following New Jersey hospitals: Morristown Medical Center in Morristown; Overlook Medical Center in Summit; Newton Medical Center in Newton; Chilton Medical Center in Pompton Plains; Hackettstown Medical Center in Hackettstown; and, Goryeb Children's Hospital in Morristown. In all, AHS totals 1504 licensed beds, excluding bassinets. AHS currently has four (4) bond transactions outstanding with the Authority, with nearly $450 million outstanding.

According to Mr. MacDonald, the proposed transaction will be in a maximum amount of $260,000,000 of publicly issued tax-exempt bonds; will be structured as a fixed rate financing; and, will be sold on the basis of AHS's credit rating. He added that, AHS expects ratings to be affirmed at "A1" by Moody's Investors Services and "AA-" by Standard and Poor's.

Mr. MacDonald said that the proceeds of the proposed transaction will be used to: advance refund all or a portion of the Authority issued AHS Hospital Corp. Issue, Series 2008A Bonds; advance refund all or a portion of the Authority issued AHS Hospital Corp. Issue, Series 2011 Bonds; to fund a debt service reserve fund, if required; and to pay the related costs of issuance.

Mr. MacDonald then introduced Dorit Kressel of Chiesa Shahinian & Giantomasi PC, the Bond Counsel, to present the Series Resolution for this transaction. Mr. MacDonald said that, following the presentation, he, Ms. Kressel or Ms. Driebe would address any questions the Members may have.

SERIES RESOLUTION

Dorit Kressel of Chiesa Shahinian & Giantomasi PC, the Bond Counsel, stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2016 Bonds in an aggregate principal amount not in excess of $260,000,000 which will bear interest at a fixed rate to maturity at a true interest cost not to exceed 6.00% per annum. The Series 2016 Bonds will have a final maturity date of no later than July 1, 2047 and be subject to redemption prior to maturity as set forth therein, provided, that the redemption price cannot be greater than 105%. The Series 2016 Bonds will be issued for the purposes of: 1) Advance refunding all or a portion of the Authority's AHS Hospital Corp. Issue, Series 2008A Bonds; 2) Advance refunding all or a portion of the Authority's AHS Hospital Corp. Issue, Series 2011 Bonds; 3) funding a debt service reserve fund, if required; and 4) paying the related costs of issuance of the Series 2016 Bonds. The Series 2016 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 AHS, 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 Master Trust Indenture by and among the Obligated Group 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.

Additionally, the Series Resolution approves the form of, and authorizes the execution of, the Series 2016 Bonds, the Loan Agreement, the Escrow Deposit Agreement, and a Preliminary Official Statement and final Official Statement relating to the Series 2016 Bonds. Further, the Series Resolution appoints TD Bank, N.A., as Trustee, Bond Registrar and Paying Agent for the 2016 Bonds. The Series Resolution also approves the form of and authorizes the execution of the Bond Purchase Contract with Goldman, Sachs & Co., the senior managing Underwriter, at an underwriting discount (including counsel fees) not in excess of $7.50 per $1,000 principal amount of the Series 2016 Bonds. In addition, the Series Resolution also 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 2016 Bonds and the refunding, redemption and defeasance of the refunded bonds.

Dr. Kazmir asked if the Members had any questions. There were no questions.

Dr. Kazmir asked for a motion to approve the contingent bond sale on behalf of Atlantic Health System. Ms. Feehan made the motion. Ms. Gibson seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-24

NOW, THERFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled "A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, AHS HOSPITAL CORP. ISSUE, SERIES 2016."

(attached)

Dr. Kazmir congratulated Atlantic Health System and asked if the representatives had anything to add.

Ms. Driebe thanked the Members for their consideration and their votes. She said that it is always a pleasure working with the Authority.

Dr. Kazmir 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 Atlantic Health System.

3. **AMENDMENTS TO DOCUMENTS**
   <u>Trinitas Regional Medical Center</u>

Dr. Kazmir asked Executive Director Mark Hopkins to provide the Members with the reason for the amendments.

Mr. Hopkins informed the Members that during his work on the proposed Trinitas Regional Medical Center Series 2016A and Series 2017A Bonds, Bond Counsel discovered a discrepancy between the bond documents and the marketing documents for the Authority issued Trinitas Hospital Obligated Group Series 2007A and Series 2007B Bonds, which are expected to be refunded by the 2017A Bonds.

Mr. Hopkins reported that, between the execution of the Bond Purchase Agreement and the Closing on the transaction, the Trust Agreement for the Series 2007 Bonds was changed to omit the optional redemption provisions for the 2007B Bonds and the other minor discrepancies that existed in the 2007A Bonds. Given that all of the 2007 Bonds were sold as callable, as evidenced by the Official Statement and the bond sale confirmations ("Confirmations"), and that Trinitas Regional Medical Center ("Trinitas") now wishes to refund the Series 2007 Bonds, it has been determined that amending the Trust Agreement and replacing the Series 2007 Bonds is the proper resolution to this issue.

According to Mr. Hopkins, Section 9.1 of the Trust Agreement permits the Authority and the Trustee to amend certain provisions of the Trust Agreement. This will allow for the amendment of the Trust Agreement and the 2007 Bonds to conform to the Official Statement and the Confirmations. This will ultimately provide the Trustee with correct and conformed documents so that it shall be able to refund the 2007 Bonds as anticipated in the 2007 Official Statement.

Mr. Hopkins told the Members that Trinitas is seeking the Authority's approval to conform the optional redemption language in the Trust Agreement and the 2007 Bonds to that set forth in the Official Statement and the bond sale confirmations pertaining to this transaction, in order to provide the Trustee with correct and conformed documents so that it shall be able to refund the 2007 Bonds as anticipated in the Official Statement.

Mr. Hopkins said that, in support of this action, the Authority and the Trustee will obtain the (i) opinion of Gibbons P.C., bond counsel to the Authority for the 2007 Bonds, to the effect that the Authority's adoption of this Resolution and the authorization, execution and delivery of the First Amendment and the Replacement Bonds are permitted by Section 9.1 of the Trust Agreement and the Trustee shall rely upon such opinion pursuant to Section 9.3 of the Trust Agreement; and, (ii) prior written consent of the Institution to the First Amendment.

Mr. Hopkins stated the Resolution, provided in the meeting packets, authorizes an Authorized Officer of the Authority to execute the First Amendment to the Trust Agreement and Replacement Bonds for the Authority's Revenue Bonds, Trinitas Hospital Obligated Group Issue, Series 2007A and Series 2007B (Taxable Convertible to Tax Exempt), in order to conform the optional redemption provisions in the Trust Agreement and the 2007 Bonds with the Official Statement and Confirmations.

Mr. Hopkins concluded by saying that the Attorney General's office has reviewed the above and has no objection to the Authority's consideration of this Resolution. Therefore, Staff is requesting the Members of the Authority to approve the Resolution authorizing the execution of a First Amendment to Trust Agreement and Replacement Bonds for the Trinitas 2007 Bonds.

Mr. Hopkins concluded by saying that he or John Draikiwicz of Gibbons P.C., the bond counsel for the Series 2007 Bonds, would answer any questions regarding this request.

Dr. Kazmir asked if there were any questions. There were no questions.

Dr. Kazmir asked for a motion to approve the resolution amending the Trinitas Regional Medical Center documents. Ms. Gibson made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-25

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled, "RESOLUTION OF THE AUTHORITY AUTHORIZING FIRST AMENDMENT TO THE TRUST AGREEMENT WITH RESPECT TO ITS REVENUE BONDS, TRINITAS HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2007A AND TRINITAS HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2007B (TAXABLE CONVERTIBLE TO TAX-EXEMPT)."

(attached)

4. CONTIGENT BOND SALE
Trinitas Regional Medical Center

Dr. Kazmir called on Bill McLaughlin to present the details of the Trinitas Regional Medical Center transaction.

Mr. McLaughlin informed the Members that they are being asked to approve a contingent sale of bonds on behalf of the Trinitas Regional Medical Center Obligated Group ("Trinitas"). He then introduced Karen Lumpp, Senior Vice President and Chief Financial Officer from the Trinitas.

Mr. McLaughlin reported that Trinitas Regional Medical Center is a not for profit acute care provider located in Elizabeth, New Jersey. Trinitas was formed in 2000 by the consolidation of the Elizabeth General Medical Center and St. Elizabeth's Hospital. Trinitas provides inpatient, outpatient and emergency care services for local residents.

Mr. McLaughlin stated that the proposed transaction will be at an aggregate maximum amount for both the Series 2016A and the Series 2017A of $125,000,000 of publicly issued tax-exempt bonds; both series will be structured as fixed rate financings; and, both will be sold on the basis of Trinitas' credit rating. Mr. McLaughlin informed the Members that Trinitas Regional Medical Center was recently affirmed as Baa2 by Moody's Investors Services and that the working group expects confirmation of S&P's rating, currently BBB prior to mailing the preliminary official statement for this transaction.

According to Mr. McLaughlin, it is expected that this transaction will be comprised of two series of bonds. The Series 2017A Bonds will have a par amount of approximately $91 million and be designated as "forward delivery" bonds. For the purposes of this transaction, the term "forward delivery" denotes that this series of bonds will have an extended period of time between pricing in August or September 2016 and delivery during April 2017. This delay allows the transaction to be deemed a "current refunding." This structure allows Trinitas to take advantage of the current low interest rate environment and lock–in present value savings approximating $15.23 million or 12.48% of the refunded bonds, even though the bonds are not eligible to be advance refunded. The other series of bonds will be in a par amount of approximately $14 million and be delivered in a more traditional timeframe.

Mr. McLaughlin said that John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel, would present two (2) Series Resolutions pertaining to this transaction, one for the Series 2016A bonds and the other for the Series 2017A bonds.

Mr. McLaughlin concluded by saying that he, Mr. Kelly and Ms. Lumpp would answer any questions from the Members after the resolutions were presented.

SERIES RESOLUTION (2016A)

John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel, stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2016A Bonds in an aggregate principal amount which, when added to the aggregate principal amount of the Series 2017A Bonds, will not exceed of $125,000,000 and which will bear interest at a fixed rate to maturity at a true interest cost not to exceed 5.00% per annum. The Series 2016A Bonds will have a final maturity date of no later than July 1, 2030 and be subject to redemption prior to maturity as set forth therein, provided that the redemption price cannot be greater than 105%. The Series 2016A Bonds will be issued for the purposes of: refinancing all of the issued and outstanding Trinitas Hospital Taxable Variable Rate Demand Bonds, Series 2006; reimbursing Trinitas for capital expenditures associated with its Emergency Room renovation project; and, paying all or a portion of the related costs of issuance of the Series 2016A Bonds.

The Series 2016A 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 Trinitas 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 an existing Master Trust Indenture (MTI) by and among the Obligated Group and The Bank of New York Mellon, as Master Trustee. The Promissory Note will be secured by a mortgage and gross receipts pledge of the Obligated Group under the MTI.

Additionally, the Series Resolution approves the form of, and authorizes the execution of, the Series 2016A Bonds, the Loan Agreement, and a Preliminary Official Statement and final Official Statement relating to the Series 2016A Bonds. Further, the Series Resolution appoints The Bank of New York Mellon as Trustee, Bond Registrar and Paying Agent for the 2016A Bonds. The Series Resolution also authorizes the execution of the Bond Purchase Contract with Merrill Lynch, Pierce, Fenner & Smith, the senior managing Underwriter, at an underwriting discount (including counsel fees) not in excess of $7.50 per $1,000 principal amount of the Series 2016A Bonds. In addition, the Series Resolution also 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 2016A Bonds.

SERIES RESOLUTION (2017A)

John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel, stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2017A Bonds in an aggregate principal amount which, when added to the aggregate principal amount of the Series 2016A Bonds, will not exceed $125,000,000 and will bear interest at a fixed rate to maturity at a true interest cost not to exceed 5.00% per annum. The Series 2017A Bonds will have a final maturity date of no later than July 1, 2030 and be subject to redemption prior to maturity as set forth therein, provided, that the redemption price cannot be greater than 105%. The Series 2017A Bonds will be issued for the purposes of refunding and redeeming all of the NJHCFFA issued Trinitas Hospital Series 2007A & 2007B bonds and paying all or a portion of the related costs of issuance of the Series 2017A Bonds.

The Series 2017A 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 Trinitas 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 new Master Trust Indenture (MTI) by and among the Obligated Group and The Bank of New York Mellon, as Master Trustee, which will become effective upon the issuance of the Series 2017A Bonds. The Promissory Note will be secured by a mortgage and gross receipts pledge of the Obligated Group under the MTI.

Additionally, the Series Resolution approves the form of, and authorizes the execution of, the Series 2017A Bonds, the Loan Agreement, and a Preliminary Official Statement and final Official Statement relating to the Series 2017A Bonds. Further, the Series Resolution appoints The Bank of New York Mellon as Trustee, Bond Registrar and Paying Agent for the 2017A Bonds. The Series Resolution also authorizes the execution of the Bond Purchase Contract with Merrill Lynch, Pierce, Fenner & Smith, the senior managing Underwriter, at an underwriting discount (including counsel fees) not in excess of $7.50 per $1,000 principal amount of the Series 2017A Bonds. In addition, the Series Resolution also 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 2017A Bonds.

Dr. Kazmir thanked Mr. McLaughlin and Mr. Kelly for their reports.

Dr. Kazmir asked for a motion to approve the contingent bond sale for the 2016A bonds on behalf of Trinitas Regional Medical Center. Ms. Feehan made the motion. Ms. Gibson seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-26

NOW, THERFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled "A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING AND REVENUE BONDS, TRINITAS REGIONAL MEDICAL CENTER OBLIGATED GROUP, ISSUE SERIES 2016A."

(attached)

Dr. Kazmir then asked for a motion to approve the contingent bond sale for the 2017A bonds on behalf of Trinitas Regional Medical Center. Ms. Kralik made the motion. Ms. Gibson seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-27

NOW, THERFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled "A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, TRINITAS REGIONAL MEDICAL CENTER OBLIGATED GROUP, ISSUE SERIES 2017A."

(attached)

Dr. Kazmir congratulated Trinitas Regional Medical Center and asked if the representatives had anything to add.

Ms. Lumpp thanked the Authority for approving the bond sale and said that they are anxious to get to market.

5. NEGOTIATED SALE AND INFORMATIONAL PRESENTATION
RWJBarnabas Health

Dr. Kazmir called upon Carl MacDonald to present the information on the RWJBarnabas Health transaction.

Mr. MacDonald advised the Members that this presentation would serve as a negotiated sale request and an informational presentation. He then introduced Jay Picerno, Chief Operating Officer and Eileen Urban Senior Vice President and Treasurer from RWJ Barnabas.

Mr. MacDonald stated that RWJBarnbas Health (the "System") is a not for profit healthcare system located in New Jersey. It was formed in March by the consolidation of the Barnabas Health and Robert Wood Johnson University Hospital. The System provides inpatient, outpatient and emergency care services for a number of communities throughout central and northern New Jersey.

Mr. MacDonald informed the Members that the System is currently rated A3 by Moody's and A- by Standard & Poor's. Per the annual audited financial information for the period ended December 31, 2015, Days Cash on Hand remained constant at 181.31 days in 2014 and 184.84 days in 2015, which is materially stronger than the 2015 Statewide Median of 57.08 days. The System's Operating Margin for the years 2014 and 2015 was stable at 3.87% and 7.28%, respectively. Debt Service Coverage Ratio at year-end 2015 was solid at 4.46 times.

According to Mr. MacDonald, RWJ Barnabas Health has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $800 million. The proceeds of the financing will be used to: 1) refund certain outstanding Authority issued bonds; 2) refinance a taxable Citibank term loan; 3) fund approximately $200 million in new capital expenditures related to the expansion project currently underway at Saint Barnabas Medical Center; 4) fund a debt service reserve fund, if required, 5) and, pay the related costs of issuance.

Mr. MacDonald said that the Series 2016 transaction is expected to refund the Barnabas Health NJHCFFA issued Series 1998B Bonds, of which $46.4 million remains outstanding; the Series 2006A Bonds, of which $62.7 million remains outstanding; and, the 2006B Bonds, of which $126 million remains outstanding. The Series 2016 transaction will also refund the RWJ Hamilton NJHCCFA issued Series 2005B Bonds, of which $54 million remains outstanding; and the Series 2013 Bonds, with $21 million outstanding.

The System is qualified to utilize acquisition financing to fully advance refund the Barnabas Health Series 2011A and 2012A Bonds, as well as the RWJUH Series 2010 Bonds. The Acquisition Financing, which needs to be completed within six months from the date of the merger, will be through a term loan with CitiBank of approximately $510 million. The Term Loan is expected to be refinanced with proceeds from the Series 2016 issue.

In addition, Mr. MacDonald said that the proposed Series 2016 transaction would also fund $200 million of capital expenditures currently underway at Saint Barnabas Medical Center West Wing expansion. This expansion will add over 240,000 square feet of new construction, 29,000 square feet of renovated space and a new parking facility. The project aims to enhance the patient, staff experience and position the facility to continue to provide cutting edge health care to the community. The number of beds at the facility will not increase as a result of the project.

According to Mr. MacDonald, RWJBarnabas has asked that the Authority permit the use of a negotiated sale based on the following criteria: a sale of a complex or poor credit; a sale of a complex financing structure, including those transactions that involve the simultaneous sale of more than one series of bonds, with each series structured differently; and, a sale of a large issue size. These reasons are considered under the Authority's policy regarding Executive Order #26, to be justifications for the use of a negotiated sale. He then recommended the consideration of the resolution approving the use of a negotiated sale and the forwarding a copy of the justification in support of said resolution to the State Treasurer.

The Attorney General's Office has assigned Wilentz, Goldman & Spitzer P.A. to serve as Bond Counsel on this transaction. RWJBarnabas has conducted a competitive process and selected CitiGroup Global Markets as their senior managing underwriter.

Mr. MacDonald told the Members that Staff will be requesting your approval of a contingent sale of bonds at the Authority's September meeting. He then said that he, Mr. Picerno, Ms. Urban or the Project Management Staff would answer any questions the Members might have.

Dr. Kazmir asked if the Members had any questions. There were no questions.

Dr. Kazmir asked for a motion to approve the resolution to use a negotiated sale on behalf of RWJBarnabas Health. Ms. Kralik made the motion. Ms. Gibson seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-28

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26."

(attached)

6. APPOINTMENT OF CO-MANAGERS
RWJBarnabas Health

Dr. Kazmir informed the Members that Staff has recommended the appointment of Co-managers for the RWJBarnabas Health transaction. He then called on Bill McLaughlin to make the recommendation.

Mr. McLaughlin reported that RWJ Barnabas Health has notified the Authority that they have completed a competitive process and selected CitiGroup Global Markets to serve as their Senior Managing Underwriter. In addition, RWJBarnabas Health has requested that the Authority consider the appointment of the following firms as co-managing underwriters on the planned public transaction: JP Morgan Securities, PNC and Wells Fargo Securities.

Mr. McLaughlin stated that, given the expected $800 million par amount for this public series, staff is recommending the assignment of seven Co-Managers. Staff supports the Borrower's recommended appointment of JP Morgan Securities, PNC and Wells Fargo Securities as co-managing underwriters and proposes addition of Cantor Fitzgerald, Duncan Williams, FTN Financial and Estrada Hinojsa to the transaction as co-managing underwriters.

According to Mr. McLaughlin, each firm has been qualified by this Authority to serve in the role of co-managing underwriter, has demonstrated the ability to distribute New Jersey securities and has sufficient capital to participate in the transaction. Therefore, staff is requesting the Members approval to name JP Morgan Securities, PNC, Wells Fargo Securities, Cantor Fitzgerald, Duncan Williams, FTN Financial and Estrada Hinojosa as Co-Managers on the RWJ Barnabas Health Series 2016 transaction.

Dr. Kazmir thanked Mr. McLaughlin for his presentation and asked if there were any comments or questions from the Authority Members. There were no questions.

Dr. Kazmir asked for a motion to approve the appointment of JP Morgan, PNC, Wells Fargo, Cantor Fitzgerald, Duncan Williams, FTN Financial and Estrada Hinojosa as co-managers for the RWJBarnabas transaction. Ms. Gibson made the motion. Ms. Kralik seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-29

> **NOW, THERFORE, BE IT RESOLVED,** that the Authority hereby approves the appointment of JP Morgan Securities, PNC, Wells Fargo Securities, Cantor Fitzgerald, Duncan Williams, FTN Financial and Estrada Hinojosa as Co-managers for the RWJBarnabas transaction.

7. AMENDMENT TO DOCUMENTS
<u>Shore Memorial Hospital</u>

Dr. Kazmir asked Edwin Fuentes to present details of the request to amend the documents of the Shore Memorial Hospital transaction.

Mr. Fuentes began by introducing David Hughes, Chief Financial Officer and Robert Wood, Director of Finance for Shore Medical Center.

Mr. Fuentes informed the Members that they are being asked to approve the Resolution of the Authority Authorizing Amendments to the Interest Rate and Other Provisions with Respect to Its Revenue Bonds (Shore Memorial Hospital), Series 2009 and Series 2010.

Mr. Fuentes reported that in 2009 and 2010, Shore Medical Center, formerly known as Shore Memorial Hospital, entered into private placements with TD Bank through the Authority to issue tax-exempt bonds in the amount of $30,000,000 for Series 2009, and $15,000,000 for Series 2010. The proceeds of the bonds were used to finance a portion of Shore's $125 million expansion in 2009, which included a new 135,000 square foot surgical pavilion, medical office building, new main entrance, lobby, and related costs of issuance. The bonds are secured by a gross revenue pledge and certain mortgaged property. The outstanding balance as of August 1, 2016, was $26,745,000 for Series 2009 and $13,380,000 for Series 2010.

Mr. Fuentes said that, per the original loan documents, the outstanding balance on the loans were subject to an optional tender by the bondholder on the last day of the interest period preceding September 1 of each of 2019, 2024, 2029, and 2034. The interest rate charged for these financings is a variable index rate mode, recalculated on a monthly basis, and is equal to the sum of the Adjusted LIBOR Rate, plus the applicable margin presently set at 350 basis points, multiplied by 69%.

According to Mr. Fuentes, Shore Medical Center and TD Bank have agreed to amend the optional tender dates on the 2009 and 2010 bonds to the years 2023, 2028, and 2033, thus extending the funding commitment seven years after the amendments stand approved. Shore and TD Bank have also agreed to reduce the applicable margin used to calculate the monthly interest rate, thereby decreasing Shore's interest expense.

Mr. Fuentes stated that the revised interest rate calculation on the Bonds during the Index Rate Mode period shall be the sum of the Adjusted LIBOR Rate index plus the amended applicable margin, multiplied by 70%. Since it is reflective of TD Bank's variable cost of funds, the applicable margin will be set closer to closing. As of July 22, the proposed applicable margin is to be 226 basis points. The overall change in rate calculation will produce an estimated net present value savings of over $1,525,000 in the next seven years.

Mr. Fuentes informed the Members that a Bond Resolution and amendments to the loan documents have been prepared by John Draikiwicz of Gibbons PC, acting as Bond Counsel, which provide for the above-referenced request. The Attorney General's Office has reviewed the documents and has no objection to the Authority's consideration of this matter. Mr. Fuentes then recommended that the Bond Resolution and amendments to the 2009 and 2010 Trust Indentures be approved.

Mr. Fuentes said that he Mr. Hughes, Mr. Wood or Mr. Draikiwicz would answer any question the Members might have.

Dr. Kazmir asked if the Members had any questions. There were no questions.

Dr. Kazmir asked for a motion to approve the amendment to the documents for the Shore Medical Center. Ms. Gibson made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. QQ-30

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled, "RESOLUTION OF THE AUTHORITY AUTHORIZING AMENDMENTS TO THE INTEREST RATE AND OTHER PROVISIONS WITH RESPECT TO ITS REVENUE BONDS, SHORE MEMORIAL HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2009 AND SHORE MEMORIAL OBLIGATED GROUP ISSUE, SERIES 2010."

(attached)

8. DISCUSSION ON RESTRUCTURING THE AUTHORITY FEE SCHEDULE

Dr. Kazmir called upon Executive Director Mark Hopkins to outline Staff's recommendations for restructuring the fee schedule for the Authority.

Mr. Hopkins stated that the Authority staff is recommending a prospective restructuring of the Authority's fee schedule for the issuance of future bonds, notes and leases. The restructuring would consist of removing the cap on which the annual fee is charged (currently $96 million) and lowering the annual fee from 10 basis points to 5.5 basis points for refunding bonds and 6 basis points for new money bonds. After five years, the annual fee for new money bonds would be reduced to 5.5 basis points and after ten years, the annual fee for all bonds would be lowered to 3 basis points. Annual fees would continue to be charged on the outstanding balance of the bonds, not the original par amount.

Mr. Hopkins explained that, under the proposal, initial fees would remain at 2.5 basis points but the amount of bonds upon which the fee will be collected ("cap") will increase from $96 million to $100 million. This cap will be subject to increase by the average of the CPI-U Indices for New York City and Philadelphia starting January 1, 2018. Per series fees will remain at $10,000 for new money bonds but will increase from $5,000 for refunding bonds to $10,000.

According to Mr. Hopkins, the Authority's philosophy behind its fee structure has been to ensure the Authority collects only the fees it needs to fulfill its mission to provide efficient, low cost financing to health care organizations and to match, as closely as possible, the services provided to the borrower with the costs to the Authority. In light of the changes to the health care delivery system, the Authority, over the last three years, has been undergoing a re-examination of its organization and its policies including annual and initial fees.

Mr. Hopkins said that the Authority first looked at where it could save money internally. Expecting fewer bond offerings in higher par amount of bonds, the Authority conducted a staff reorganization that has reduced staff over 15% since 2013 through attrition. In addition, staff is also in the process of reviewing its policies regarding security requirements, covenants and ratios imposed on borrowers who issue bonds through the Authority. We expect to hold an Authority retreat in the near future to discuss those issues.

In staff's view, this annual fee structure would be the fairest to all Authority borrowers because the fee is relative to the savings each borrower experiences. In 2015, borrowers saved, on average, 141 basis points (1.41%) compared to taxable rates, so fees ranging from 3 to 6 basis points (.03% to .06%) would only be a small offset to their savings. Staff has also observed that the Authority's current annual fee schedule unfairly penalizes smaller borrowers and, for issues over $175 million, does not cover the costs incurred by the Authority.

This proposed restructured fee schedule also more accurately reflects the costs and expenses that the Authority incurs for a financing. The initial fee represents the costs to the Authority of the project management team, the Attorney General's office fees related to each transaction and review of the financial statement and projections by the research and compliance team.

Mr. Hopkins said that the annual fees represent the work of the account administration team in investing proceeds, approving requisitions, reconciling trustee-held accounts, enforcing construction compliance and processing amendments to the documents. Additionally, the annual fee is used for the research and compliance team's review of annual and quarterly financial statements, and annual review of compliance with required ratios, insurance covenants, disclosure requirements and tax requirements. Annual fees also cover Authority overhead such as rent, utilities, insurance, office equipment and supplies, phone, printing, mail, investment fees, legal fees and administrative fees as well as management and support staff salaries and benefits. The higher annual fee for new money bonds over the first five years is based on the fact that new money bonds generally have longer draw schedules, often involve more investment of proceeds, handling of more requisitions and require oversight by the Authority's Construction Compliance Officer.

Mr. Hopkins pointed out that, had the proposed fees been in effect for all bonds outstanding and issued in 2015, the Authority would have netted $81,800 on income of $3,676,800.

Mr. Hopkins reported that, staff has made comparisons to the fees charged by other financing authorities, both in New Jersey and nationally. The Authority has been one of the more expensive financing authorities. Under the proposed fee restructuring, it will remain in the top third of financing authorities reviewed in terms of fees. The prime reason the Authority's costs are so high is that we maintain a relatively large staff that does a considerable amount of work after the bonds are issued in order to ensure the bonds remain tax-exempt, borrowers are complying with their disclosure requirements, rate covenants and other covenants, plus we monitor construction and continued financial viability. Many other financing authorities maintain a staff of only one or a few employees, leaving the project management responsibilities to consultants and not offering ongoing borrower monitoring. The bonds of these "skeleton" financing authorities usually pay a price in the market in the form of slightly higher interest rates. Large purchasers of Authority bonds have told staff that Authority security requirements, covenants and active monitoring provide value to bond purchasers. Several purchasers have said that the Authority saves them 2, 3 or possibly more basis points through our relatively strict covenants and ongoing monitoring. Mr. Hopkins believes that this not only justifies Authority's relatively high fees, but also in fact results in a net savings to Authority borrowers.

Mr. Hopkins told the Members that the Chief Financial Officers from each New Jersey nonprofit hospital were invited to attend this meeting to provide comment or ask questions on the proposed fee restructuring. Additionally, written comments and questions have been received from hospitals and have been provided to the Authority Members.

Mr. Hopkins reminded the Members that the purpose of this presentation is to introduce the discussion of staff's proposed fee restructuring and to solicit feedback from Authority borrowers.

No action is requested for this meeting but staff hopes that the Authority Members will consider the proposed fee restructuring in light of the comments received today and will take action on the proposed fee restructuring at its regular meeting on Thursday, September 22, 2016.

Mr. Hopkins then offered to address any questions from the members or the Authority borrowers.

Ms. Gibson asked Mr. Hopkins to expound on the large borrows versus small borrowers concern.

Mr. Hopkins said that as it stands right know, the small borrowers, because their fees are capped, pay a higher percentage of the Authority's fees compared to the larger borrowers. Removing the cap makes it fairer to the smaller borrower.

There were no further questions or comments.

9. APPROVAL OF A RESOLUTION FOR ESTABLISHING A POLICY FOR APPOINTING AN ACTING EXECUTIVE DIRECTOR IN THE EXECUTIVE DIRECTOR'S ABSENCE

Dr. Kazmir called on Executive Director Mark Hopkins to explain the reason for the resolution. Mr. Hopkins reminded the Members that the New Jersey Health Care Facilities Financing Authority no longer has a Deputy Executive Director. Therefore, he believes that it is necessary to create a policy for appointing an Acting Executive Director in case the Executive Director is absent, unavailable or otherwise unable to perform his or her duties.

Mr. Hopkins recommended that the Authority Members adopt the resolution being provided today establishing the following policy in cases the Executive Director is absent, unavailable or unable to perform his or her duties: (i) during a planned absence of the Executive Director, the Executive Director shall name a person to serve as Acting Executive Director in his or her absence by sending a written notice appointing such person as Acting Executive Director to the Chairperson of the Authority and the Secretary of the Authority; (ii) in cases where the Executive Director is unexpectedly unavailable or unable to perform his or her duties, the Division Director with the most seniority, measured in years of service to the Authority, shall be deemed the Acting Executive Director until such time as the Authority Members take an action to formally appoint an Acting Executive Director at an Authority Meeting or until the Executive Director becomes available and able to perform his or her duties.

Mr. Hopkins said that, upon appointment pursuant to this policy, the Acting Executive Director shall be considered an Authorized Officer for purposes of executing documents and shall be able to take any other actions the Executive Director is authorized to take should such action need to be taken prior to the return of the Executive Director.

Mr. Hopkins then offered to answer any questions the Members might have. There were no questions.

Dr. Kazmir asked for a motion to approving the policy for naming an Acting Executive Director in the absence of the Executive Director. Ms. Gibson made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. QQ-31

WHEREAS, the New Jersey Health Care Financing Authority no longer has a Deputy Executive Director; and,

WHEREAS, there are times when the Executive Director may be absent, whether planned or otherwise; and,

WHEREAS, during such occasions, the Authority may require actions by the Executive Director, or an Authorized Officer of the Authority;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a Resolution establishing the appointment of an Acting Executive Director in cases when the Executive Director is absent, unavailable or unable to perform his or her duties; and,

BE IT FURTHER RESOLVED, that during a planned absence of the Executive Director, the Executive Director shall name a person to serve as Acting Executive Director in his or her absence by sending a written notice appointing such person as Acting Executive Director to the Chairperson of the Authority and the Secretary of the Authority; and,

BE IT FURTHER RESOLVED, that in cases where the Executive Director is unexpectedly unavailable or unable to perform his or her duties, the Division Director with the most seniority, measured in years of service to the Authority, shall be deemed the Acting Executive Director until such time as the Authority Members take an action to formally appoint an Acting Executive Director at an Authority Meeting or until the Executive Director becomes available and able to perform his or her duties; and,

BE IT FURTHER RESOLVED, that the Acting Executive Director appointed in accordance herewith shall be considered an Authorized Officer of the Authority and shall be empowered to execute documents and take any other actions the Executive

Director is authorized to take, should such action need to be taken prior to the return of the Executive Director.

10. APPROVAL OF EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Ms. Feehan offered a motion to approve the bills and to authorize their payment. Ms. Gibson seconded the motion. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. QQ-32

WHEREAS, the Members of the Authority have reviewed the memoranda dated August 17, 2016 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $23,793.66 and $7,712.65 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.

11. STAFF REPORTS

Dr. Kazmir thanked Staff for the Project Development Summary, Cash Flow Statement and Legislative Advisory reports.

Dr. Kazmir asked Executive Director Hopkins to present his Executive Director's report,

Mr. Hopkins presented the following items to Members:

1. Hospital & Other News

    a. Kennedy Health and Jefferson Health have entered into a definitive agreement to merge. The merger will be subject to regulatory review before it is completed.

    b. As a result of the proposed merger of Kennedy and Jefferson, Inspira Health Network is breaking off its existing affiliation agreement with Jefferson, alleging Jefferson breached the agreement by merging with Kennedy.

c. Hackensack University Medical Center and Columbia University Medical Center have announced a collaboration to provide better treatment options for liver care in New Jersey.

d. Englewood Hospital and Medical Center's affiliation with Hackensack Meridian Health is reaping benefits such as Englewood receiving internal medicine residents from the medical school being built by Hackensack Meridian with Seton Hall University, clinical partnerships for oncology, behavioral health, electrophysiology, cardiac surgery and pediatric care and collaboration on an electronic medical records system, recently financed by the Authority.

e. Hunterdon Medical Center has had success in reducing Medicare readmission rates. Hunterdon was the only hospital in New Jersey not to be penalized by Medicare for excessive readmissions last year. The reason cited for their success is having their doctors follow up with patients within three to five days of discharge.

f. Thirty-five towns are suing the nonprofit hospitals within their borders for property tax payments. It is now down to 34, since Newton and AHS reached an agreement this week. This is a result of a 2015 tax court ruling that Morristown Medical Center no longer qualified for a property tax exemption because it was operating like a for-profit entity. JFK and Trinitas have settled property tax claims with Edison and Elizabeth, respectively. Another article is also included on this topic noting there is no legislative fix in sight for the hospital property tax issue.

g. The CMS Star Rating for hospitals came out at the end of July. No New Jersey hospitals scored five stars. Eight New Jersey hospitals received four stars, 20 received three stars, 30 received two stars and six received one star. The ratings are based on clinical outcomes, customer satisfaction and adherence to key protocols.

h. U.S. News & World Report released its list of the best hospitals. The top thirteen hospitals in New Jersey were: (1) Hackensack University Medical Center: (2) Morristown Medical Center; (3) Robert Wood Johnson University Hospital; (4) Jersey Shore University Medical Center; (5) AtlantiCare Regional Medical Center; (5) Valley Hospital; (7) Englewood Hospital and Medical Center; (8) St. Peter's University Hospital; (8) St. Joseph's Regional Medical Center; (8) Ocean Medical Center; (8) University Medical Center of Princeton at Plainsboro; (8) Virtua Voorhees; and (13) Overlook Medical Center.

i. Some hospitals in New Jersey will receive less than 1% of the cost of providing care to the indigent as a result of cuts to Charity Care and the revised formula that provides significantly higher payments to safety net hospitals.

j. CMS has selected New Jersey to be one of the test sites for the Comprehensive Primary Care Plus program, a major new public-private initiative to overhaul the way doctors, nurses and other providers are paid. The goal of the five-year project is to reduce costs and improve primary care. It will involve lump sum payments to doctors in advance of treatment, financial incentives for quality outcomes and other support to help providers. Providers are asked to meet five goals: (i) supporting patients with serious or chronic diseases; (ii) giving patients 24-hour access to care and information; (iii) focusing on preventive care; (iv) engaging patients and families in the process; and (v) improving coordination with hospitals, specialists and other providers. The funding is designed to allow doctors to hire more support staff, invest in technology and develop new ways to work with other providers to assist in meeting these goals.

k. In ratings actions:

    i. Moody's affirmed a "Baa2" rating on Trinitas' debt with a stable outlook;

    ii. Moody's affirmed its "A3" rating on Kennedy Health System's debt but revised the outlook to stable from positive;

    iii. Standard & Poor's raised its rating on Palisades Medical Center's debt three notches to "A-" from "BBB-" with an outlook of stable as a result of support provided by Hackensack and Meridian.

    iv. Moody's has raised its rating on Hackensack University Medical Center's debt from "A3" to "A2" with an outlook of positive, based on its continued good performance and its merger with Meridian.

    v. Standard & Poor's raised its ratings on the debt of both Hackensack University Medical Center and Meridian Health System to "A+" from "A" with an outlook of stable, also citing the merger of the two entities.

l. In national health care news, articles are being provided today on: (i) the drop in uncompensated care at hospitals in states that adopted Medicaid expansion; (ii) Medicare assessing half of U.S. hospitals with readmission penalties; (iii) unplanned disruptions and threat of increased cyberattacks on electronic health records; (iv) higher spending on U.S. cancer treatment with no better outcomes; (v) a limited study that found that Medicaid expansion lead to better health outcomes; (vi) CMS will cut 1.5% of hospital reimbursements as a result of $11 billion in overpayments from incorrect coding of hospital stays; and (vii) the exit of Aetna from most of the markets it participated in the Affordable Care Act's health insurance exchanges.

m. In tax-exempt bond news, The Bond Buyer published articles: (i) contesting the report of the Tax Foundation recommending elimination or at least a re-examination of tax-exempt bonds; and (ii) reporting on a letter from a coalition of issuers and government officials to House Speaker Paul Ryan and House Ways and Means Committee Chairman Kevin Brady stressing the importance of maintaining the tax-exemption for municipal bonds for infrastructure and needed community needs.

2. Authority News

    a. Mr. Hopkins informed the Members that, when announcing her promotion to Compliance Manager last month, he neglected to note that Neetu "Nikki" Thukral celebrated her fifth anniversary with the Authority in July.

Mr. Hopkins provided a second opportunity for question or comments on the proposed fee restructuring. There were no questions or comments.

As there was no further business, following a motion by Ms. Gibson and a second by Ms. Kralik, the Members voted unanimously to adjourn the meeting at 10: 57 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 AUGUST 25, 2016.

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Carole A. Conover, Assistant Secretary