Minutes of the New Jersey Health Care Facilities Financing Authority Special Meeting held on October 5, 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, Public Member (Chairing); and, via telephone, Alison Gibson, Designee of the Commissioner of Health; Maryann Kralik, Designee of the Commissioner 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, Carole Conover, Bill McLaughlin, Carl MacDonald, Marji McAvoy, Taryn Rommell, Jessica Lucas, Edwin Fuentes, Bernie Miller, Tracey Cameron and Chris Kniesler

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones, Attorney General's Office; Lisa LeBoeuf, Governor's Authorities Unit; James Foley, Department of Health; Jim Fearon, Gluck Walrath, LLC; John Kelly, Wilentz, Goldman & Spitzer; John Doll, Chief Integration Officer and Eileen Urban, Senior Vice President and Treasurer, RWJBarnabas; Richard Slotkin, Sills Cummis and Gross; Craig Kornett and Daniel Chazen, Citi Bank; Michael Albanese, TD Bank

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:01 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.

Dr. Kazmir asked for a roll call to determine attendance.

1. CONTINGENT BOND SALE
<u>RWJBarnabas Health</u>

Dr. Kazmir called on Carl MacDonald to provide the Members with the details of the RWJBarnabas Health transaction.

Carl MacDonald informed the Members that he is requesting the approval of a contingent sale of bonds on behalf of RWJBarnabas Health. ("RWJBarnabas"). He began by introducing John Doll, Chief Integration Officer and Eileen Urban, Senior Vice President and Treasurer of RWJBarnabas.

Mr. MacDonald stated that RWJBarnabas 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 Health System. The System provides inpatient, outpatient and emergency care services for a number of community's throughout northern NJ.

According to Mr. MacDonald, the proposed transaction will be in a maximum amount of $1,085,000,000 of publicly issued tax-exempt bonds; will be structured as a fixed-rate financing; and, will be sold on the basis of RWJBarnabas' credit rating. RWJBarnabas expects ratings to be affirmed at "A2" by Moody's Investors Services and "A" by Standard and Poor's.

Mr. MacDonald told the Members that the proceeds of the proposed transaction will be used to: refund, refinance and/or restructure outstanding obligations of both Barnabas Health and Robert Wood Johnson Health System in order to place them under a new Master Trust Indenture; refinance a taxable loan which was used by RWJBarnabas to previously refund and defease the Authority's Barnabas Health Series 2011A Bonds and its RWJ Series 2010 Bonds; fund and/or reimburse RWJBarnabas for the costs of existing renovation/expansion projects primarily at Clara Maas Medical Center, Saint Barnabas Medical Center and Monmouth Medical Center; to fund a Debt Service Reserve Fund, if necessary; and, to pay the related costs of issuance

Mr. MacDonald said that John Kelly of Wilentz Goldman and Spitzer, the bond counsel, would present the bond resolution for this transaction. He added that, following the presentation, Mr. Kelly, Mr. Doll, Ms. Urban, or a member of the Project Management staff will address any issues or questions the Members may have.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel, stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2016A Bonds in an aggregate principal amount not in excess of $1,085,000,000 which will bear interest at a fixed rate to maturity at a true interest cost not to exceed 6.00% per annum. The Series 2016A Bonds will have a final maturity date of no later than July 1, 2056 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: 1) refunding, refinancing and/or restructuring outstanding obligations of both Barnabas and RWJ in order to place them under a new Master Trust Indenture; 2) refinance a taxable loan, the proceeds of which were previously was used by RWJBarnabas to refund and defease the Authority's Series 2011A Bonds issued for the benefit of Barnabas Health and its Series 2010 Bonds issued for the benefit of RWJ; 3) funding and/or reimbursing RWJBarnabas for the costs of existing renovation/expansion projects primarily at Clara Maas Medical Center, Saint Barnabas Medical Center and Monmouth Medical Center; 3) funding a Debt Service Reserve Fund, if necessary; and 5) paying the related costs of issuance of the Series 2016A Bonds.

The Series 2016A Bonds will be issued by the Authority under and pursuant to a Trust Agreement by and between the Authority and U.S. Bank National Association, as Bond Trustee. The Series 2016A Bonds will be secured by payments to be made by RWJBarnabas, under its 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 by and among RWJBarnabas Health, Inc., on behalf of itself and the other members of the Obligated Group, and The Bank of New York Mellon, as Master Trustee. The Promissory Note will be secured by a gross revenue pledge of the Obligated Group under the MTI.

Additionally, the Bond Resolution approves the form of, and authorizes the execution of, the Series 2016A Bonds, the Loan Agreement, the Trust Agreement, a Preliminary Official Statement and final Official Statement relating to the Series 2016A Bonds. Further, the Bond Resolution appoints U.S. Bank National Association, as Bond Trustee, Bond Registrar and Paying Agent for the 2016A Bonds. The Bond Resolution also approves the form of and authorizes the execution of the Bond Purchase Contract with Citigroup Global Markets, Inc., the senior managing Underwriter, at an underwriting discount (including counsel fees) not in excess of $8.50 per $1,000 principal amount of the Series 2016A Bonds. In addition, the Bond 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, the refunding, redemption and defeasance of the refunded bonds, the refinancing of the taxable loan and the financing of the Project.

Dr. Kazmir thanked Mr. MacDonald for his report. He asked if the Members had any questions on the transactions.

Mark Hopkins asked Ms. Urban which of the bond series may not be included and what criteria will be used to make the determination. He noted that there is a maximum amount and he has been asked why some series of bonds may not be included.

Ms. Urban responded that there are some series in which they are pleased with the coupon and the terms of the debt.

Mr. Hopkins noted that there is a litany of bonds in the summary and that some may not be refunded. He mentioned that here are two (2) insured series that RWJBarnabas may not be able to refund and wondered if there were any others.

Ms. Urban said purpose of the series is to bring in all of the affiliate debt under the obligation. She said that each series will be analyzed to determine whether RWJBarnabas will get the most out of them through refunding.

Mr. Kelley stated that the list in the summary is a list of all possibilities. He said that two (2) direct purchase bonds are listed in the event RWJBarnabas is able to negotiate a substitute agreement for them.

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

AB RESOLUTION NO. QQ-37

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

(attached)

Dr. Kazmir congratulated RWJBarnabas Health and asked if anyone from the organization had anything to say.

Mr. Doll thanked the Members for holding a Special Meeting and Mark Hopkins and Bill McLaughlin for their cooperation as well as the whole Authority for their support.

2. CAPITAL ASSET FINANCING PROGRAM
<u>Authorize the Replacement of the Existing Credit Facility, Line Agreement, and Liquidity Facility and Optional Redemption of a Portion of the Authority's 1985 Bonds and Related Matters</u>

Dr. Kazmir called on Jessica Lucas to present Staff's recommendations for the Capital Asset Financing Program.

Ms. Lucas informed the Members that, in 1985, the Authority sold the Variable Rate Demand Revenue Bonds, Hospital Capital Asset Financing Program, Series A-D $100,000,000 bond issue creating a pool of funds to make loans to eligible health care facilities to finance or refinance the construction, acquisition and installation of capital assets. The First National Bank of Chicago originally provided credit and liquidity support with a wrap-around letter of credit from Mitsubishi Trust and Banking Corporation.

Ms. Lucas reported that, in 1993, as a result of the competitive bid process, the Authority entered into a Letter of Credit and Reimbursement Agreement, a Bank Line of Credit Agreement and a Bank Bond Purchase Agreement with JPMorgan Chase Bank, N.A. to provide the necessary credit and liquidity facilities with a stand-by letter of credit for the Program.

Ms. Lucas said that, due to the pending expiration of the JPMorgan Chase Bank credit and liquidity services, the Authority conducted a competitive Request for Proposals process for a new credit and liquidity provider to the Program in a direct-pay format. The Authority, Bond

Counsel, and Attorney General's office determined that the new structure would be beneficial in bringing the existing Program to a more up-to-date structure.

According to Ms. Lucas, TD Bank, National Association responded to the RFP, proposing a fee structure similar to the JPMorgan Chase fee structure. The newly proposed fee structure will continue to be based on the risk profile of the individual pool participants, as determined by TD Bank, and the relatively low risk profile of the debt service reserve fund and fully seasoned unlent proceeds. In addition, the initial term of the contract has been structured for three years and provides the ability for the Authority and TD Bank to extend the contract, if desired. It is important to note, that if the Authority desires to terminate TD Bank there will be no termination fee.

Ms. Lucas told the Members that it is Staff's intent is to replace the JPMorgan Chase credit and liquidity services before they expire on March 25, 2017.

Ms. Lucas reported that, after evaluating the present and projected demand by health care organizations within the State for the financing and refinancing of Capital Assets, Staff has determined that such demand would be best matched by causing a portion of the Bonds, $50,000,000, to be optionally redeemed in accordance with the Trust Agreement. Additionally, the Authority intends to obtain new credit ratings on the Bonds, and prepare and circulate one or more remarketing circulars in connection with the remarketing of the Bonds, and has determined that it requires the assistance of a financial advisor. After another competitive bid process, the Authority is requesting Optimal Capital Group, LLC fulfil the role as financial advisor.

Ms. Lucas then introduced Jim Fearon of Gluck Walrath LLP, Bond Counsel, to present the resolution for this transaction. She added that, that following Mr. Fearon's presentation, the Members would be asked to adopt the bond resolution to appoint TD Bank as the credit and liquidity provider, optionally redeem a portion of the bonds, and appoint Optimal Capital Group as financial advisor.

Ms. Lucas then said that she or Mr. Fearon would be happy to answer any questions the Members might have after the presentation.

Jim Fearon of Gluck Walrath LLP stated that the Resolution appoints TD Bank, National Association as the provider of credit and liquidity support for the Bonds by means of a Direct-Pay Letter of Credit, to be issued pursuant to a Letter of Credit and Reimbursement Agreement to be negotiated with TD Bank. This Substitute Letter of Credit will constitute a "Substitute Credit Facility", a "Substitute Line Agreement" and a "Substitute Liquidity Facility" under the Trust Agreement, and both it and the Reimbursement Agreement will on substantially the terms set forth in the Term Sheet that is attached to the Resolution. The final documents, including amendments to the Trust Agreement to implement the new credit structure, will be presented to the Authority Members for approval at a future meeting.

According to Mr. Fearon, the Resolution also authorizes the optional redemption of $50 million of the outstanding $100 million of Bonds, as Ms. Lucas described.

Mr. Fearon stated that Resolution appoints Optimal Capital Group, LLC to serve as Financial Advisor to the Authority in connection with the replacement of the credit and liquidity support for the Bonds, subject to a maximum compensation of $17,500. The assistance of a Financial Advisor is needed because the transactions will trigger a mandatory tender of all Bonds, followed by a remarketing under the new Substitute Letter of Credit. Accordingly, a new credit rating will be needed, as will one or more Remarketing Circulars reflecting the new credit and liquidity structure.

Dr. Kazmir thanked Ms. Lucas and Mr. Fearon for their reports. He asked if the Members had any questions regarding the resolution.

Mark Hopkins pointed out the Authority has had a $100 million in bonds outstanding from the 1985 bonds that could be considered like a line of credit. Staff does not believe the Authority will ever need that amount; therefore, the request is to reduce the amount to $50 million and avoid the annual interest costs on the other $50 million. In addition, the Authority is changing the program form a three-tiered security structure and replacing it with one (1) direct-pay letter of credit to simplify the program. These changes are business decisions made by Staff after consulting with Mr. Fearon and Cliff Rones as to the legal implications.

Dr. Kazmir asked for a motion to approve the resolution regarding the Capital Asset Financing Program. Ms. Feehan made the motion. Ms. Gibson seconded. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. QQ-38

NOW, THERFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled "RESOLUTION RELATING TO THE AUTHORITY'S 1985 HOSPITAL CAPITAL ASSET FINANCING PROGRAM, AUTHORIZING THE REPLACEMENT OF THE EXISTING CREDIT FACILITY, LINE AGREEMENT AND LIQUIDITY FACILITY, AUTHORIZING THE OPTIONAL REDEMPTION OF A PORTION OF THE AUTHORITY'S 1985 BONDS AND, APPOINTING A FINANCIAL ADVISOR TO ASSIST IN THE REMARKETING OF THE 1985 BONDS."

(attached)

Hearing no further business, following a motion by Ms. Gibson and a second by Ms. Feehan, all of the Members voted unanimously to adjourn the meeting at 10:17 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 OCTOBER 5, 2016.

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Carole A. Conover, Assistant Secretary