Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on April 26, 2007 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:
Fred M. Jacobs, Commissioner of Health and Senior Services (Chairman); Moshe Cohen, Public Member; Thom Jackson, Public Member; Ulysses Lee, Public Member; Donald Bryan, Designee of the Commissioner of Banking and Insurance; and, Eileen Stokley, Designee of the Commissioner of Human Services.

The following **Authority staff members** were in attendance:
Mark Hopkins, Dennis Hancock, Jim Van Wart, Michael Ittleson, Suzanne Walton, Robin Piotrowski, Susan Tonry, Mae Jeffries-Grant, Bill McLaughlin, Lou George, and Stephanie Bilovsky.

The following **representatives from State offices and/or the public** were in attendance:
Edward Tetelman, Department of Health and Senior Services; Kay Fern, Evergreen Financial; Howard Eichenbaum, GluckWalrath; Rich Salvia, Palisades Medical Center; Harold P. Hogstrom, Hackensack University Medical Center; Jim Nolan, Hak Kim, AtlantiCare Regional Medical Center; Gary Walsh, Maryann Kicenuik, Windels, Marx, Lane & Mittendorf; Cheryl Cohen, Pantheon; David Kostinas, David Kostinas & Associates; Vinton Rollins, Shattuck Hammond; Scott Kobler, McCarter & English; Jack Swire, Chris McCann, Kari Fazio, Wachovia Bank; Kent Pieri, Sovereign Bank; Rebecca Srole, Robert Smith, Danielle Cheung, JPMorganChase; Lopa Kolluri, Treasurer's Office (on the telephone); Erica Tantorieas, Holbein Middle School, Sharon Price-Cates, Governor's Authorities Unit; and, Clifford T. Rones, Deputy Attorney General.

CALL TO ORDER

Commissioner Fred M. Jacobs called the meeting to order at 10:00 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 25, 2006 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.

NEW MEMBER ULYSSES LEE

Dr. Jacobs began the meeting with an introduction to the Authority's newest confirmed Public Member, Ulysses Lee, who was appointed by Governor Jon S. Corzine and confirmed by the State Senate on March 12, 2007. He brings to the Authority extensive health care knowledge and field expertise in the areas of insurance, policy and finance.

Residing in West Orange, Mr. Lee is currently a Government Relations Counsel and HIPAA Privacy Officer for The Guardian Life Insurance Company of America. He previously held various legal positions involving regulatory compliance and litigation. Mr. Lee is also a board member of the New Jersey Small Employer Health Coverage Program and the New Jersey Individual Health Coverage Program.

Outside of New Jersey, he is involved in policy and finance as a board member of the District of Columbia Regulatory Trust Fund Bureau, which oversees the budget and operations of the D.C. Insurance, Securities and Banking Department, and the D.C. Life and Health Insurance Guaranty Association. He is also a board member of the New Hampshire Small Employer Health Reinsurance Pool.

Mr. Lee has an undergraduate degree from Rutgers University, a law degree from Howard University and a Masters in Public Health from Columbia University, with a concentration in Health Policy, Finance and Management. Dr. Jacobs welcomed Mr. Lee to the Authority.

APPROVAL OF MINUTES
March 22, 2007 Authority Meeting

The minutes for the Authority's March 22, 2007 Authority meeting were distributed for review and approval. Mr. Jackson offered a motion to approve the minutes; Ms. Stokley seconded. Dr. Jacobs voted yes; Dr. Cohen voted yes; Mr. Jackson voted yes; Mr. Lee abstained; Mr. Bryan voted yes; and Ms. Stokley voted yes. The motion carried and the minutes were approved.

BOND SALE REPORTS

Dennis Hancock reported that the Authority had priced three bond issues since the March meeting. The first was for the State Contract Bonds issued through the Hospital Asset Transformation Program on behalf of St. Mary's Hospital in Passaic. The bonds were rated "A1" by Moody's, "A+" by Fitch, and "AA-" by S&P on the basis of expected payments by the State after an annual appropriation. The bonds were issued in two series, one tax-exempt and the other taxable. The Office of Public Finance was heavily involved in the marketing and pricing of these issues.

According to Mr. Hancock, there were a number of things that were unusual and impacted the marketing of these bonds: it was a small size for a State issue, it was a State issue done through a health care authority, and it was the first issue using the Hospital Asset Transformation Program. The taxable bonds (totaling $17,500,000) were structured with maturities in 2009, 2010 and 2018, and the tax-exempt bonds (totaling $27,925,000) had serial maturities from 2018 through 2027. After a short order period where orders were sporadic, the managers were willing to make an offer to purchase the bonds with taxable yields ranging from 5.07% to 5.26% and tax-exempt yields from 4.15% to 4.32%. The issues closed on April 11th and refunded the Series 2007A and 2007B private placement interim bonds, the proceeds of which were used by St. Mary's to acquire Passaic Beth Israel Regional Medical Center.

Mr. Hancock stated that, on April 3rd, the Authority priced a $101,395,000 bond issue on behalf of Catholic Health East. These bonds were part of a six issuer composite transaction totaling $333,430,000, and the proceeds of all the issues were used to refund existing issues. In particular, the New Jersey financing provided for the refunding of bonds issued by this Authority and the Camden County Improvement Authority. The bonds are structured as a single 2033 maturity and the interest rate is reset quarterly based on 67% of the three month LIBOR rate plus an applicable spread, which may be different for each of the issuers.

Orders for the bonds were taken with a proposed spread of 80 basis points for the New Jersey bonds. This is a relatively new structure in the tax-exempt area and the market is driven by a limited number of investors. Fortunately, those investors were interested in this financing and the senior manager offered to purchase the bonds at the proposed spread, with an interest rate of 4.39%. The spreads for the other issuers ranged from 81 to 83 basis points.

Mr. Hancock noted that the third issue priced was for the Atlantic Health System transaction. Just two days before this meeting, the $101 million transaction was priced as Auction Rate Securities. One of the two lots of bonds resets the interest rate daily while the second resets weekly. The Senior Manager took New Jersey retail orders totaling over $50 million, and, based on those orders, offered to underwrite the transaction with an interest rate of 3.6% on both lots. Atlantic Health System is familiar with this structure, having completed four previous series totaling over $315 million in this form.

TEFRA HEARING & CONTINGENT BOND SALE
AtlantiCare Regional Medical Center

Dr. Jacobs announced that, as required by the Tax Reform Act of 1986, the following portion of the meeting will be considered a public hearing in connection with the Authority's proposed transaction on behalf of AtlantiCare Regional Medical Center ("AtlantiCare"). He invited the public to participate in the discussion, but asked Project Manager Suzanne Walton to bring the Members up to date on the transaction first. She began by introducing Jim Nolan, Vice President of Finance for the AtlantiCare Health System and Hak Kim, Corporate Director of Business Planning.

Ms. Walton reported that AtlantiCare requests consideration for a contingent sale of bonds on its behalf in an amount not to exceed $135 million. The proceeds of the bonds, together with other funds, will be used to provide funds to: (1) complete the construction and equipping of a seven-story addition to and the renovation of various areas at the City Division facility located in Atlantic City, (2) finance the construction of a bridge connecting the City Division facility to the parking garage, (3) fund the acquisition of equipment and minor renovations associated therewith for both the Mainland Division Facility located in Galloway Township and the City Division, (4) advance refund a portion of the Series 2002 bonds and currently refund two capital asset program ("CAP") loans made by the Authority, (5) fund a deposit to the Debt Service Reserve Fund, and (6) pay the related costs of issuance.

According to Ms. Walton, in the current interest rate environment, the advance refunding of the Series 2002 bonds yields net present value savings of approximately $2 million or 5.57% of the refunded principal. In addition, the refunding and re-amortizing of the two CAP loans, combined with the interest rate on the Series 2002 bonds, will allow AtlantiCare to borrow approximately $50 million of new money without any increase to its current maximum annual debt service. The non-callable and non-advance refundable bonds from the Series 2002 issue will remain outstanding, totaling $67,800,000.

The Series 2007 bonds will be issued as Additional Bonds on parity with the Authority's Revenue Bonds issued in 2002. The bonds will be structured as a fixed rate public offering.

They will be uninsured and issued on AtlantiCare's credit rating. Ms. Walton noted that she was pleased to report that earlier this week, staff received notice that Fitch upgraded AtlantiCare's rating from "A" to "A+" with a stable outlook. AtlantiCare has also been in discussions with Standard & Poor's and Moody's Investors Service; a possible upgrade is expected from at least one of those agencies as well.

SERIES RESOLUTION

At this point, Maryann Kicenuik, Esq. of Windels Marx Lane & Mittendorf, LLP stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2007 bonds in an aggregate principal amount, exclusive of original discount, not in excess of $135,000,000 and at a true interest cost not to exceed 6%. The Series 2007 bonds will have a final maturity date of no later than July 1, 2042 and will be issued on a parity with the unrefunded Series 2002 bonds. The obligation of AtlantiCare to repay the loan of the Series 2007 bond proceeds will be evidenced by a Note issued under a Master Trust Indenture, which Note will be secured, along with other obligations of AtlantiCare, by a gross receipts pledge and a mortgage on certain property. In addition, the Series Resolution approves the form of and authorizes the execution of a Bond Purchase Contract prior to close of business on July 25, 2007. The Series Resolution also approves the form of the Bonds, Preliminary Official Statement, Official Statement, Loan Agreement and Letter of Instruction. The Series Resolution appoints Commerce Bank, National Association as Trustee, Bond Registrar and Paying Agent for the Series 2007 bonds.

Dr. Jacobs asked the Members' pleasure with respect to the adoption of the Series Resolution. Mr. Jackson moved that the document be approved. Mr. Bryan seconded. The vote was unanimous and the motion carried

AB RESOLUTION NO. GG-100

NOW, THEREFORE, BE IT RESOLVED, That the Authority hereby approves the Series Resolution entitled, "FIRST SUPPLEMENT TO SERIES RESOLUTION ADOPTED MARCH 12, 2002 AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE AND REFUNDING BONDS, ATLANTICARE REGIONAL MEDICAL CENTER ISSUE, SERIES 2007.

Co-Manager Recommendation

Mr. Hopkins reminded the Members that the Authority reserves the right to select firms from its qualified list to serve as co-managing underwriters for its financings. Co-managers are selected by the Authority, based on demonstrated ability to distribute New Jersey securities of comparable credit quality, sufficient capital to participate in underwriting the issue, and borrower preferences.

With Wachovia Securities serving as the senior managing underwriter for the bonds, AtlantiCare has requested that UBS Financial Services, JPMorganChase Bank and Goldman Sachs be considered as co-managers for the bonds. For a financing of this size, the Authority staff recommends five co-managers. To complement the senior managing underwriter and the requested co-managers, staff recommends adding Siebert Brandford Shank & Co. and M.R. Beal & Company as co-managers.

Because the five co-managers above are (i) on the Authority's qualified list, (ii) have demonstrated their ability to distribute New Jersey securities of comparable credit quality, (iii) have sufficient capital to participate in underwriting the issue, and (iv) incorporate the borrower's preference, staff recommended their appointment to serve as co-managers for AtlantiCare's 2007 bonds. Dr. Cohen moved to approve the co-managers; Mr. Bryan seconded. The vote was unanimous and the motion carried

AB RESOLUTION NO. GG-101

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby appoints UBS Financial Services, JPMorganChase Bank, Goldman Sachs, Siebert Brandford Shank & Co. and M.R. Beal & Company serve as co-managers for the AtlantiCare Regional Medical Center transaction.

Mr. Nolan thanked the Authority staff, especially Suzanne Walton and Bob Day who were very helpful with the transaction. Dr. Jacobs then closed the public hearing required by the Tax Reform Act of 1986 on behalf of AtlantiCare Regional Medical Center.

NEGOTIATED SALE REQUESTS

A. Hackensack University Medical Center

Mark Hopkins reported that Hackensack University Medical Center ("Hackensack"), a New Jersey not-for-profit corporation, signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to refund approximately $81 million and $53 million of the bonds issued on Hackensack's behalf by the Authority in 2000 and 1998, respectively. With costs of issuance and funding a debt service reserve fund, Hackensack is seeking to finance a total of approximately $151 million through the Authority.

Hackensack is a 780-bed university-affiliated teaching hospital located on 16 acres in the City of Hackensack. Hillcrest Health Service System, Inc. is the corporate parent of Hackensack and several other not-for-profit health care corporations, including the Hackensack University Medical Center Foundation, Bergen Health Management System, Bergen Home Health Services and Bergen Health Services.

The Authority issued a total of $385,740,000 in bonds for Hackensack in three separate series in 1998, 2000 and 2004. As of March 30, 2007, approximately: $138 million remains outstanding on the 1998 bonds, $81 million remains outstanding on the 2000 bonds and $148 million remains outstanding on the 2004 bonds. Approximately $53 million of the 1998 bonds and all of the 2000 bonds will be defeased by these bonds. The remainder of the 1998 and all of the 2004 bonds are expected to remain outstanding. In 1979, 1982, 1985 and 1991, the Authority also issued bonds for Hackensack, all of which have since been defeased.

Mr. Hopkins reported that the consolidated audited financial statements provided with the Memorandum of Understanding show that Hackensack generated excess revenues over expenses of approximately $14.6 million for 2005 and $22.8 million for 2004. Unaudited information for 2006 shows excess revenues over expenses of approximately $24.7 million, continuing its recent history of positive results of operations.

Hackensack asks that the Authority permit the use of a negotiated sale based on: (i) the 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; (ii) market volatility; (iii) large issue size; (iv) programs or financial techniques that are new to investors; and (v) the expected use of variable rate debt. Because these reasons are considered under the

Authority's Executive Order #26 policy to be justifications for the use of a negotiated sale, staff recommended the consideration of a resolution approving the use of a negotiated sale and the forwarding of a copy of its justification to the State Treasurer.

According to Mr. Hopkins, after performing a competitive process, Hackensack has selected Bear Stearns as senior managing underwriter for the bonds and Merrill Lynch as co-senior manager. Additionally, Hackensack researched several law firms from the Authority's qualified list and received the Attorney General's approval to have the firm of Windels, Marx, Lane & Mittendorf serve as bond counsel. Mr. Hopkins introduced Harold P. Hogstrom, Executive Vice President and Chief Financial Officer of Hackensack, who was available to answer any questions the Members may have.

Mr. Jackson made a motion to adopt the resolution approving the pursuit of a negotiated sale on behalf of Hackensack University Medical Center, also approving the forwarding a copy of its justifications to the State Treasurer. Ms. Stokely seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-102
(attached)

B. Virtua Health, Inc.

Mr. Hopkins reported that Virtua Health, Inc. ("Virtua"), a New Jersey not-for-profit corporation, signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to construct and equip a new 360-bed hospital in Voorhees (to replace the current Virtua-West Jersey Hospital Voorhees facility), as well as renovate various building components and acquire capital equipment for Virtua-Memorial's Mount Holly hospital. With costs of issuance, a debt service reserve fund and capitalized interest, Virtua seeks to finance over $560,000,000 through the Authority.

Virtua Health, Inc. operates a regional health care network including: Virtua – Memorial Hospital of Burlington County (a 383-licensed-bed acute care hospital in Mount Holly) and Virtua-West Jersey Health System (a 571-licensed-bed health system that operates three general acute care hospitals, located in Berlin, Marlton and Voorhees, and an urgent care and outpatient services facility in Camden).

Mr. Hopkins noted that the Authority issued, on Virtua's behalf, over $158 million of bonds in 1998, $11 million in 2003, $60 million in 2004 and $35 million in 2006, of which approximately $112 million, $9 million, $60 million and $35 million remained outstanding as of March 31, 2007, respectively. All of those bonds are expected to remain outstanding.

According to consolidated audited financial statements provided with the Memorandum of Understanding, Virtua generated excess revenues over expenses of approximately $86.4 million for 2005 and $37.7 million for 2004. Unaudited information for 2006 shows excess revenues over expenses of approximately $123.5 million, continuing its recent history of positive results of operations.

Virtua asked that the Authority permit the use of a negotiated sale based on: (i) the 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; (ii) market volatility; (iii) large issue size; and (iv) the expected use of variable rate debt. Because these reasons are considered to be justifications for the use of a negotiated sale, staff recommended the consideration of a resolution approving the use of a negotiated sale and the forwarding of a copy of its justifications to the State Treasurer.

According to Mr. Hopkins, Virtua performed a competitive process and selected UBS as book-running Senior Managing Underwriter for the bonds and Wachovia Capital Markets as co-Senior Manager. Additionally, Virtua researched several law firms from the Authority's qualified list and has requested and received the Attorney General's approval to have the firm of Windels, Marx, Lane & Mittendorf serve as bond counsel.

Mr. Jackson made a motion to adopt the resolution approving the pursuit of a negotiated sale on behalf of Virtua Health, Inc., also approving the forwarding a copy of its justifications to the State Treasurer. Mr. Bryan seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-103
(attached)

CAPITAL ASSET LOAN APPROVAL
Palisades Medical Center

Ms. Walton began by introducing Richard Salvia, Vice President and Chief Financial Officer of Palisades Medical Center. She directed the Members' attention to a summary of a loan application that the Authority received from Palisades Medical Center, Inc. (the "Medical Center"), which requests a $5 million loan to purchase capital equipment, finance minor building improvements and pay the related financing costs.

Palisades Healthcare System, Inc. is the sole member of the Medical Center and Palisades General Care, Inc.. The Medical Center, located in North Bergen, is a 202-bed acute care hospital providing health care services primarily to residents of northeast New Jersey. Palisades General Care operates a 245-bed skilled nursing facility known as The Harborage which is adjacent to the Medical Center. It also owns and operates The Pavilion, an integrated support facility that contains ancillary support services for the Institutions.

Ms. Walton explained that Palisades General Care and the Medical Center comprise the Obligated Group who will be responsible for the repayment of this debt.

Historical financial and utilization information had been distributed to the Members. The statistics reflect the combined performance of the Obligated Group with the Medical Center's revenues, comprising approximately 83% of total operating revenues.

Operationally, the financial performance of the Medical Center has fluctuated. In 2005, Income from Operations was significantly impacted by a decline in patient volume and increased operating expenses related to staffing, salaries and pension. 2006 unaudited numbers, however, reflect a more positive trend. Cash and Board Designated Funds were used to fund a large contribution to the pension plan and to finance various renovation projects. Total Operating Revenues grew by 9% due to increased volume and measures undertaken to reduce expenses associated with reliance on overtime and agency nurses. In addition, contingency plans were developed to offset any unforeseen negative adjustments to revenue or expenses. As a result, the Medical Center reported a slight operating gain.

Throughout this same time period, noted Ms. Walton, the financial performance of the nursing home was positive, contributing approximately $1 million in income on an annual basis.

Regarding utilization, volume for the Medical Center has been favorable, with the exception of 2005, when inpatient admissions declined with the retirement of a major admitter and the actions of another who had split his admissions between Palisades and Holy Name. Also, the major admitter who had been splitting his admissions and had caused the decline in 2005, took on a partner in 2006 and the two have since returned their level of admissions to Palisades to the 60% level that had preceded the decline. In addition, management recognizes the need to reduce average length of stay numbers and has hired a consultant and created a case management department to address the issue. Utilization trends at the nursing home are positive.

Ms. Walton noted that JPMorganChase, the credit and liquidity provider for the Series A-D Capital Asset Program, performed an independent credit analysis and approved the loan for participation in the Program subject to the borrower providing a Note under their existing Master Trust Indenture. The Note will be secured by a parity position with the existing Series 2002 bondholders, which includes a pledge of gross receipts and a mortgage.

Mr. Jackson offered a motion to approve the requested $5 million Capital Asset Loan on behalf of Palisades Medical Center; Dr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-104
(attached)

CAPITAL ASSET POROGRAM, SERIES A-D
Extension of Credit Facilities

Jim Van Wart reminded the Members that the Authority entered into a series of agreements with JPMorganChase Bank to provide the necessary credit and liquidity facilities for the Capital Asset Program, Series A-D. The original agreements provided for the facilities to remain in effect for a three-year period subject to one-year extensions from the initial termination date. The Authority has previously taken advantage of that arrangement to request extensions of the termination date through March 25, 2009.

Staff continues to find JPMorganChase to be attentive to the needs of the Authority's borrowers with timely responses and a willingness to address special issues. Therefore, staff requested that JPMorganChase consider extending the agreements by three more years, securing their service for a total of five years through March 25, 2012. JPMorganChase agreed to the extension of the contract and terms. Mr. Van Wart noted that, even if the extension is approved, the Authority retains the right to replace JPMorganChase at any time during the term without penalty.

Mr. Van Wart directed the Members' attention to a resolution and Twentieth Supplemental Trust Agreement, drafted by McManimon & Scotland, as well as Amendment No. 13 to the Bank Documents, all of which provide for the extension of the termination date to March 25, 2012. He reiterated that JPMorganChase agreed to all the changes, and that the Attorney General's office reviewed the documents with no objection to the Authority's consideration.

Mr. Jackson offered a motion to approve the requested three-year extension of the termination date for the Capital Asset Program's credit and liquidity facilities; Dr. Cohen seconded. Mr. Jackson had a question for clarification before voting. He asked the motivation for the extension, to which Mr. Van Wart replied that it is the Authority's practice to extend the contract to coincide with the term of the loans outstanding through the program. The votes were then called; the Members voted unanimously in favor of the motion.

AB RESOLUTION NO. GG-105

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a three-year extension to its contract for JPMorgan Chase Bank to provide the necessary credit and liquidity facilities for the Capital Asset Program, Series A-D, thereby moving the termination date to March 25, 2012.

2007 DEBT MANAGEMENT PLAN

Mr. Hancock reminded those in attendance that Executive Order No. 26 (Whitman) requires the preparation of an annual Debt Management Plan and its submission to the Treasurer. The Authority's plan for 2007 reflects transactions that were completed during 2006 and identifies financings anticipated for 2007, along with a description of each project, the anticipated date of sale and issue size, security, ratings, and a proposed method of sale. The proposed plan excludes Capital Asset Program loans, since these transactions do not involve the issuance of new debt. He advised that, as in prior years, the total volume for 2007 is subject to change, depending upon market conditions and borrowers' preferences. The Members were asked to approve the proposed plan and authorize its submission to the Treasurer.

Mr. Jackson offered a motion to approve the Authority's proposed 2007 Debt Management Plan and authorize its submittal to the Treasurer as required by the Executive Order; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-106

NOW, THEREFORE, BE IT RESOLVED, that, as required by Executive Order No. 26, the Authority hereby approves a Debt Management Plan for 2007, as presented at this meeting, and authorizes its submission to the State Treasurer.

UNIFORM CODE OF ETHICS

Robin Piotrowski reported to the Members that the State Ethics Commission adopted a Uniform Ethics Code to govern and guide the conduct of officers and employees for State agencies. While the Uniform Code allows for a supplemental code of ethics to also be applied to address an individual agency's needs, staff and the Attorney General's Office found no provisions located in the Authority's own code of ethics that is not sufficiently covered by this Uniform Code. Therefore, no supplemental code is required in the Authority's case.

Mr. Jackson offered a motion to approve replacing the Authority's current code of ethics with the Uniform Code of Ethics created by the State Ethics Commission; Mr. Bryan seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-107

WHEREAS, the Uniform Ethics Code created by the State Ethics Commission and adopted by that Commission pursuant to N.J.S.A. 52:13D-23 covers all of the provisions currently outlined the Authority's own code of ethics,

NOW, THEREFORE, BE IT RESOLVED, that, the Authority approves the Uniform Ethics Code as the Authority's Primary Code of Ethics, with no supplemental codes added.

2007 BUDGET AMENDMENT

Commission on Rationalizing Health Care Resources in New Jersey

Michael Ittleson asked for the Members' consideration of an amendment to the Authority's 2007 budget, specifically the line item - Consultant to the *Commission on Rationalizing Health Care Resources in New Jersey*. Two amendments are proposed: one specific to Navigant Consulting's request in a letter dated March 21st, of which a copy was distributed to the Members in advance of this meeting; and, the second in regards to conference calls and parking expenses incurred by the Authority in relation to the Commission's work.

Navigant requests an additional $35,550 in professional fees and $2,000 in travel expenses for a total increase of $37,550. The request is based on the activation of a Commission work group that would meet bi-monthly through conference calls. The Commission work group was not contemplated when Navigant submitted their response to the Authority's request for proposals.

Regarding the Commission's monthly meetings held at the Authority offices, staff requests a $1,996 increase for conference calls and $540 for parking.

Mr. Ittleson noted that, when the 2007 budget was approved, it was not known that the Commission would hold its meetings at the Authority's offices or that the Authority would be the originator of conference calls for the meetings. To this point, staff has been applying those expenses to the "Telephone and Meetings and Seminars" line item, which was not anticipated. Amending the budget as requested allows staff to have those expenses paid out of the consultant line item.

Therefore, Mr. Ittleson recommended, on behalf of staff, that the Members amend the budget, increasing the Commission's expense by $40,086, which brings the total budgeted expense for the consultant and Commission to $680,301.

Mr. Bryan offered a motion to approve the requested budget amendment relating to the activities of the *Commission on Rationalizing Health Care Resources in New Jersey*. Ms. Stokley seconded.

At this point, Mr. Jackson expressed concern about the potentiality for Navigant to continuously adjust the needs of the project, thereby incrementally increasing their fee. Members and staff discussed the various ways in which the scope of the project had changed, including a delayed start, followed by a postponement of the report's deadline from June to December. Mr. Jackson noted that repeatedly amending the budget as a result of "scope creep" opens a door to the risk of runaway spending. Dr. Jacobs noted that the scope of the project is inherently limited by time and funds, since it was created by an Executive Order and not backed by legislative funding. Beyond the study itself, any actions taken in response to the report will be done through legislation with legislated dollars.

Dr. Cohen asked if the Authority had the ability to decline requested budget increases for the consultant. Mr. Rones stated that, just as the Authority felt that the Commission's tasks were in line with the Authority's mission and that there was good cause to fund the study, the Authority maintains "the power of the purse," since the contract is between the Authority and the consultant. He advised that it may also be prudent to coordinate with other agencies that may be interested in the study if there are concerns over high costs.

Mr. Jackson suggested, and Members and staff agreed, that going forward, the budget for the project should be viewed as a whole, with the Authority being more active in negotiating terms with the consultants and then presenting a revised complete budget for the project, rather than incrementally increasing the line item as the project evolves.

The votes were then called. Dr. Jacobs voted yes; Dr. Cohen voted yes; Mr. Jackson voted no; Mr. Lee voted yes; Mr. Bryan voted yes; and Ms. Stokley voted yes. The motion carried.

AB RESOLUTION NO. GG-108

WHEREAS the Authority has been selected as the location for regular meetings of the *Commission on Rationalizing Health Care Resources in New Jersey*, thereby incurring costs associated with conference calls and parking, and

WHEREAS the Navigant Consulting, hired by the Authority to serve the commission, requests additional fees and travel expenses, including for its participation in unanticipated working groups at the request of the *Commission on Rationalizing Health Care Resources in New Jersey,*

NOW, THEREFORE, BE IT RESOLVED that the Authority hereby amends the 2007 Budget, increasing the *Consultant-Commission on Rationalizing Health Care Resources in New Jersey* line item by a $40,086 to cover these additional expenses, bringing the total budgeted expense for the line item to $680,301.

AUTHORITY PROCUREMENT POLICY

Mr. Hopkins reminded the Members that in September of 2006, Governor Corzine issued two executive orders affecting the procurement procedures for State agencies, including the Authority. Executive Order No. 34 mandates that procurement procedures ensure equal opportunity for participation by minority-owned and women-owned business enterprises in the State purchasing and procurement processes.

Executive Order No. 37 mandates reforms to increase the transparency, efficiency and accountability of the State's independent authorities, including: (i) establishing procedures for public advertising of contracts; (ii) posting procurement contracts on state-wide website for such contracts; (iii) creating pre-set, transparent procedures for awarding contracts; (iv) awarding contracts for the purchase of materials, products, supplies and non-professional services to the lowest responsible bidder (absent exceptional circumstances); (v) creating fair and transparent procedures for awarding professional and technical services contracts, including written scoring factors and scoring procedures to be used; (vi) and, ensuring that small businesses and business enterprises owned by minorities and women have an equal opportunity to compete for contracts. According to the Executive Order, the procedures and criteria outlined above must be used to create a pre-qualified pool of potential contract partners for professional services rendered in connection with bond sales.

Mr. Hopkins noted that Members received a draft of the proposed revisions to the Authority's procurement procedures consistent with Executive Order Nos. 34 and 37. This draft was reviewed and approved by the Governor's Authorities Unit. Dr. Cohen offered a motion to approve the revised Authority Procurement Policy. Mr. Bryan seconded.

Before the vote was called, Mr. Jackson stated that he does not support the proposed policy and would not vote for its approval. He stated that he maintains the same concerns over the policy that he had expressed to staff in the past, namely that he does not feel the policy adequately facilitates the Authority's use of women and minority-owned firms. He stated a disappointment with the Authority's low use of such firms, adding that the proposed policy does not fix the current policy's problems in that area.

Mr. Jackson noted that he feels the proposed policy continues to use a procedure that inherently excludes the involvement of most women and minority owned firms. Specifically, he understands the selection process of the firms to be used, chosen from a pool of qualified firms, however, he disagrees with the process by which firms are qualified to be on the list of usable firms. He holds that the qualifications are conducive to the exclusion of women and minority owned businesses.

His concerns had been shared with trade organizations, such as the Women in Public Finance organization, who informed him that New Jersey has long been considered a weakness regarding the use of women and minority owned firms for contracts.

Mr. Lee stated that, as a new member with no context from which to vote on the issue, he would rather review the information in more detail before voting. He asked about the timeline for making a decision on the issue.

Sharon Price-Cates of the Governor's Authorities Unit offered that the deadline for the procurement policy was November of 2006, therefore its submittal is long overdue. She added that the proposed policy was reviewed by the Authorities Unit, which found that it is not inconsistent with the standards established by Executive Orders No. 34 and 37, however, since the Authority does have a Member who is dissatisfied with the procedure, the Members may wish to revisit the policy before approving it. While the policy is overdue, Ms. Price-Cates noted that there is no penalty for further delaying its approval.

Dr. Cohen added that there may be overlap between the women/minority-owned firms and small businesses; therefore, broadening the qualification and/or inclusion of one group may simultaneously help to fulfill the requirements of the other as well.

Mr. Jackson stated that he is not impressed that there is a deadline for an issue such as this and requested that the Authority take the time to "do what is right" and craft a policy that actually achieves the intention of the Executive Orders to increase the involvement of women and minority owned businesses in State agency contracts. He asked that the Members make the decision to further revise the policy to ensure equal access rather than promote exclusion.

The motion made by Dr. Cohen and the second made by Mr. Bryan were withdrawn. There were no new motions made to go forward with the approval of the revised procurement policy as had been proposed to the Members. Dr. Jacobs asked for a motion to reject the proposed policy and redirect staff and the Members, through a committee, to create a new policy, addressing the concerns expressed at this meeting, and to be presented for approval at a later date. Mr. Jackson made such a motion; Dr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-109

NOW, THEREFORE, BE IT RESOLVED, the Authority hereby rejects the procurement policy as proposed at the April 26, 2007 meeting and redirects staff and the Members to create a new policy, through a committee, according to concerns addressed at that meeting, to be presented for approval at a later date.

MEMORANDUM OF UNDERSTANDING - EDUCATIONAL FACILITIES AUTHORITY

Mr. Van Wart reported to the Members that staff from the Authority and the New Jersey Educational Facilities Authority ("NJEFA") have been in discussion regarding the use of certain space in each other's offices if there were a catastrophic event (such as a fire, flood or earthquake) and the office of either authority became unavailable for an extended period of time. Both authorities asked their respective Deputy Attorneys General present a Memorandum of Understanding ("MOU") presenting the discussed emergency office space agreement for approval by each authority's respective members. If the MOU is approved, it will be incorporated into the Authority's business continuity plan. Mr. Van Wart noted that the Members of the NJEFA Board approved the MOU at their meeting held on April 25^{th}.

Dr. Cohen offered a motion to: approve the proposed MOU regarding an emergency office space agreement between the Authority and the NJEFA; and authorize the Executive Director to execute the MOU. Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-110

NOW, THEREFORE, BE IT RESOLVED that the Authority hereby approves the Memorandum of Understanding titled, "MEMORANDUM OF UNDERSTANDING BETWEEN THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY AND THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY CONCERNING EMERGENCY OFFICE USE" (attached); and,

BE IT FURTHER RESOLVED that the Authority hereby authorizes the Executive Director to execute said Memorandum of Understanding.

AUTHORITY EXPENSES

Dr. Jacobs referenced a summary of Authority expenses and invoices. Mr. Jackson offered a motion to approve the bills and to authorize their payment; Ms. Stokley seconded. Dr. Jacobs voted yes; Dr. Cohen voted yes; Mr. Jackson voted yes; Mr. Lee abstained; Mr. Bryan voted yes; and Ms. Stokley voted yes. The motion carried.

AB RESOLUTION NO. GG-111

WHEREAS, the Authority has reviewed memoranda dated April 19, 2007, summarizing all expenses incurred by the Authority in connection with FHA

Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of $695,348.66, $32,469.45 and $256,120.97 respectively, and has found such expenses to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves all expenses as submitted and authorizes the execution of checks representing the payment thereof.

STAFF REPORTS

Dr. Jacobs thanked staff for their preparation of reports that were distributed for review, including the Project Development Summary, Cash Flow Statement, First Quarter Budget report, and a Legislative Advisory. Mr. Hopkins then announced the following items in his Executive Director's Report:

1. The Authority's Board Retreat is scheduled for Monday, June 4th from noon until 5:00 p.m. and Tuesday, June 5th from 8:30 a.m. to 5:00 p.m. at the Sheraton Hotel on Route 1 in Woodbridge. The agenda for the retreat was distributed to the Authority Members.
2. Authority Members are reminded to file their Financial Disclosure Statements, required by Governor Corzine's Executive Order Number 1, with the State Ethics Commission.
3. The *Commission on Rationalizing New Jersey's Health Care Resources* held its third and fourth meetings here on March 30th and April 24th respectively. The Governor attended the March 30th meeting and addressed the Commission members. The major hospital associations serving New Jersey hospitals have been invited to address the Commission at a meeting on April 30th.
4. The mandatory ethics training originally scheduled for April 17th was postponed due to the potential for flooding from the recent storm. The training was rescheduled to Tuesday, May 1st at 2:00 p.m. in the State Museum Auditorium.
5. The second phase of the St. Mary's financing has been completed. Mr. Hopkins acknowledged the Authority Staff and the entire working group for their hard work on this complex and first-of-its-kind financing. Dr. Jacobs also commended the working group, adding that the acquisition project had been worked on for a very long time. He congratulated the team for closing the transaction.
6. In Hospital News:
    a. Bayonne Medical Center filed for Chapter 11 bankruptcy on Monday, April 16th. The Authority currently has approximately $35 million in bonds outstanding on behalf of BMC. FSA is the insurer on almost all the bonds and, therefore, stands in the shoes of those bondholders. A small portion ($1 to $2 million) of the bonds are now held by Lehman Brothers through a form of refinancing, but these are not insured by FSA. The bondholders are secured by a pledge

of the gross receipts of BMC and a negative pledge on BMC's real property.

On first day motions, the Bankruptcy Court granted BMC's request to obtain post-petition debtor-in-possession ("DIP") financing from Kimco Capital Corporation ("Kimco") in an amount not to exceed $4 million. Kimco has offered BMC a total of between $22 and $30 million in total DIP financing, subject to receiving a mortgage on BMC's property, but anything over $10 million is further subject to completion of a Phase I Environmental Survey. The next Bankruptcy Court hearing is scheduled for May 15th at 11:00 a.m.

b. Sid Mitchell has resigned as CEO of Pascack Valley Hospital; his resignation becomes effective in June.

c. Effective April 2nd, Burdette Tomlin Memorial Hospital has changed its name to Cape Regional Medical Center.

d. William F. Owen Jr., a University of Tennessee chancellor, was named president of the University of Medicine and Dentistry of New Jersey. He is expected to start on July 1st.

e. Congratulations to David Tilton, Chief Executive Officer of AtlantiCare Regional Medical Center, for being featured on the cover of Modern Healthcare Magazine.

7. In Authority News:

a. Authority Members were provided with a proposed schedule for Authority meetings from June 2007 through May 2008. The meeting schedule will be set and a slate of officers will be voted on at the May meeting.

b. Steve Fillebrown is currently attending the conference of the National Council of Health Facilities Finance Authorities in Kohler, Wisconsin.

c. For *Bring Your Child to Work Day*, four special guests are visiting the Authority's offices: Erica Tantorieas (Mae Jeffries Grant's granddaughter), Jonathan Donahue (Lorraine Donohue's grandson), and Brigid and Sean Tonry (Sue Tonry's children). Dr. Jacobs noted that he attended a meeting with about 50 children at the Department earlier in the day, and he commended *Bring Your Child to Work Day* for giving kids a peek at the important work their parents do.

EXECUTIVE SESSION

At this point, as permitted by the Open Public Meetings Act and the Authority's By-Laws, Dr. Jacobs asked the Members to meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General. Dr. Cohen offered a motion to enter the session; Ms. Stokley seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-112

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 personnel and contractual matters, and to receive advice from the Office of the Attorney General.

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. As there was no further business to be addressed, Dr. Cohen moved to adjourn the meeting, Mr. Bryan seconded. The vote was unanimous, and the motion carried at 11:25 p.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY MEETING HELD ON APRIL 26, 2007.

Dennis Hancock
Assistant Secretary