

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on August 27, 2009 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:

Heather Howard, Commissioner of Health and Senior Services (Chairing); Gus Escher, Public Member; Ulysses Lee, Public Member; Maryann Kralik, 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, Steve Fillebrown, Jim Van Wart, Lou George, Suzanne Walton, Bill McLaughlin, Edwin Fuentes, Carole Conover, Michael Ittleson, Arvella King, Ron Marmelstein, Marji McAvoy, and Stephanie Bilovsky.

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

William Conroy, Department of Health and Senior Services; Jim Foley, Robert Wood, Shore Memorial Hospital; Brian Klocke, Richard Koss, Kennedy Health Facilities; Joseph Lario, Richard Krangel, Kennedy Health System; James DeRosa, Deb Olcott, Somerset Medical Center; John Kelly, Wilentz, Goldman & Spitzer, P.A.; John Draikiwicz, Gibbons P.C.; Maryann Kicenuik, Windels, Marx, Lane & Mittendorf; Deborah Zastocki, Michael Richetti, Chilton Memorial Hospital; Jan Blazewski, Stuart Carr, Cain Brothers; Phil DelVecchio, Merrill Lynch; Kay Fern, Chelsea Walton, Evergreen Financial; Scott Kobler, McCarter & English; Joseph Neal, Governor's Authorities Unit; Jim Fearon, Gluck Walrath; and, Cliff Rones, Deputy Attorney General.

CALL TO ORDER

Commissioner Howard called the meeting to order at 10:08 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 28, 2009 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.

APPROVAL OF MINUTES

July 23, 2009 Authority Meeting

Minutes from the Authority's July 23, 2009 meeting were presented for approval. Mr. Escher offered a motion to approve the minutes; Ms. Stokley seconded. Commissioner Howard voted yes, Mr. Escher voted yes, Mr. Lee voted yes, Ms. Kralik voted yes, and Ms. Stokley voted yes. The minutes were approved.

TEFRA HEARING AND CONTINGENT BOND SALES

Commissioner Howard stated that, as required by the Tax Reform Act of 1986, the following portion of the meeting is considered a public hearing in connection with proposed transactions on behalf of Kennedy Health Facilities, Shore Memorial Hospital and Somerset Medical Center.

A. Kennedy Health Facilities

Bill McLaughlin introduced Brian Klocke (Executive Director) and Richard Koss (Vice President Ambulatory Services) from Kennedy Health Facilities, as well as Joseph Lario (Chief Financial Officer) and Edward Sullivan (General Counsel) from Kennedy Health System.

Mr. McLaughlin informed the Members that today he would be requesting approval of a contingent sale of bonds on behalf of Kennedy Health Facilities, Inc. He stated that the proposed transaction is a \$16,500,000 tax-exempt private placement that is expected to: finance the construction and equipping of a 60-bed sub-acute nursing unit at its skilled nursing facility in Sewell; refinance the acquisition costs of licensing rights for 50 sub-acute beds for this nursing unit; pay costs associated with the acquisition of an interest rate cap; fund Capitalized Interest; and pay related costs of issuance.

He further stated that this transaction is expected to be structured as a 30-year loan that has a 24-month interest only period with principal being amortized over the next 28 years. The financing is expected to be initially priced at 69% of the sum of 30-Day LIBOR plus 350 basis points for the initial period with an option for the bank to reset the interest rate and call the bonds at the 7th, 14th, 21st and 28th anniversaries of the issuance date.

The transaction is expected to be secured by first mortgage lien on the Kennedy Health Care Center located in Washington Township and by a first priority security interest on all business assets of Kennedy Health Facilities, Inc.

Mr. McLaughlin informed the Authority that, as a condition of the final site plan approval for the Project granted by the Planning Board of the Township of Washington in Gloucester County, Kennedy Health System will be required to transfer a parcel of land to Kennedy Health Facilities, Inc., which will become part of the permanent site of the Project. This action will require that the specific parcel be subdivided from a larger lot and that the parcel be released from an existing mortgage, in favor of the Master Trustee under the Master Trust Indenture for Kennedy Health System. The final site plan approval was granted by the Planning Board on August 4, 2009 and public notice of the approval was published on August 11, 2009, however, the statutory 45-day appeal period associated with this approval has not yet elapsed. Staff received a letter from Kennedy Health System's General Counsel, Edward Sullivan, outlining this issue and informing Staff that there has been no contention to date, and that none is expected during the appeal period. Therefore, the approval for this request for a contingent bond sale is conditioned upon the requirement that the bonds cannot be issued or delivered to the Purchaser prior to the expiration of the appeal period without an appeal having been filed.

Mr. McLaughlin then introduced Bond Counsel John Kelly of Wilentz, Goldman & Spitzer to present the Bond Resolution for the transaction.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer, P.A. stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2009 Bonds in an aggregate principal amount, not in excess of \$18,000,000 and at an initial floating interest rate not to exceed 5.00% per annum, and thereafter with the maximum interest rate at 12.00%. The Series 2009 Bonds will have a final maturity date of no later than October 1, 2039 and be subject to redemption prior to

maturity as set forth therein, provided, that the redemption price can not be greater than 105%. The Series 2009 Bonds will be secured by payments made by Kennedy Health Facilities, Inc. under its Loan Agreement with the Authority and the obligations of Kennedy Health Facilities, Inc., will be secured by a First Mortgage and Security Agreement between Kennedy Health Facilities, Inc. and the Trustee for the Series 2009 Bonds. In addition, certain funds and accounts established pursuant to the Trust Agreement will serve as additional security.

Additionally, the Bond Resolution approves the form of and authorizes the execution of a Placement Agency Agreement prior to close of business on November 18, 2009. The Bond Resolution also approves the form of the Series 2009 Bonds, Private Placement Memorandum, Loan Agreement and Trust Agreement, and appoints TD Bank, National Association as Trustee, Tender Agent, Bond Registrar and Paying Agent for the Bonds. In addition, it authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Placement Agency Agreement, the Trust Agreement and the Loan Agreement, the financing of the Project and the issuance of the Series 2009 Bonds.

Commissioner Howard asked the Members' pleasure with respect to the adoption of the Bond Resolution. Mr. Escher moved that the document be approved. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-20

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Bond Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS CONTRACT BONDS KENNEDY HEALTH FACILITIES, INC., SERIES 2009."

Mr. Klocke stood and thanked the Authority staff for its hard work on the transaction and the Authority Members for their approval.

B. Shore Memorial Hospital

Suzanne Walton introduced Jim Foley (Vice President of Finance and Chief Financial Officer) and Robert Wood (Director of Finance) from Shore Memorial Hospital. Ms. Walton informed the Members that today she would be seeking their approval of a contingent sale of bonds on behalf of Shore Memorial Hospital in two series. She reminded the Members that during the informational presentation at the July meeting, it was stated that Shore Memorial would like to structure the transaction into two separate series in order to take advantage of the newly expanded Bank Qualified provisions, which have a \$30 million limit per year. Therefore, in order to qualify for these provisions for the entire project, Series 2009 Bonds are expected to be issued in an aggregate principal amount not to exceed \$30 million in September of 2009, and Series 2010 Bonds are expected to be issued in an aggregate principal amount not to exceed \$15 million in January of 2010.

The proceeds of the bonds will be used to finance a portion of the costs of constructing and equipping a new Surgical Pavilion for the Shore Memorial and to pay the related costs of issuance.

She noted that the financing will be structured as a variable rate transaction and will bear interest at an index rate from the date of closing to final maturity unless converted to an alternate

rate as provided in the Trust Indenture. The Index rate equals 69% of the sum of the 30 Day LIBOR plus a spread of 350 basis points, determined initially on the closing date and recalculated monthly; provided that the Index Rate will not exceed the lesser of 12% and the maximum interest rate permitted by law. The bonds will be privately placed with TD Bank, National Association and will constitute parity obligations secured by the mortgaged property and gross receipts of the Obligated Group for the equal benefit of the remaining holders of the Series 1993, Series 2003 and Series 2009 and 2010 Bonds. In addition, the term sheet offered by TD Bank National Association gives the Bank the right to put the Bonds in ten years.

Shore Memorial has agreed to provide an initial disclosure document and to provide continuing secondary market disclosure for the life of the bonds. Therefore, in accordance with Authority policy, the Authority will require an Investor Letter, as in the past; however, the letter will not require indemnification language or the need for similar investor letters from future bondholders.

She then turned the presentation over to bond counsel to outline the resolution.

BOND RESOLUTION

John Draikiwicz, Esq. of Gibbons P.C. stated that the Bond Resolution authorizes the issuance of two series of bonds; the Series 2009 bonds in an aggregate principal amount not to exceed \$30 million and the Series 2010 Bonds in an aggregate principal amount not to exceed \$15 million. The Series 2009 and Series 2010 Bonds shall bear interest initially at an Index Rate not to exceed seven percent (7.0%) per annum and, thereafter, the interest rate on the Bonds shall not exceed twelve percent (12.0%) per annum. Both series of bonds will have a final maturity of no later than July 1, 2040 and will be subject to redemption prior to maturity on such terms and conditions, as shall be set forth in the Trust Agreement; provided, that the redemption price may be no greater than 105%. The Resolution authorizes the execution of a Placement Agent Agreement with Cain Brothers & Company LLC, the Placement Agent, relating to the Series 2009 Bonds prior to the close of business on November 18, 2009 and March 24, 2010 with respect to the Series 2010 Bonds.

The Trust Agreement also provides that the Bonds are subject to an optional put by the Initial Holder, namely, TD Bank, National Association, thereof upon (i) the occurrence of an event of default under the Trust Agreement or a separate Continuing Covenant Agreement between the TD Bank and the Hospital or (ii) at the end of the tenth anniversary date of the Bonds and five year intervals thereafter until 2034. The Bonds are also able to be converted to a Daily Rate, Weekly Rate, Commercial Paper Rate or a Term Rate mode upon the satisfaction of certain conditions. These modes are similar to the types of modes that the Authority has approved in the past with respect to publicly offered transactions. The reason for providing flexibility within the documents is to potentially permit a conversion that will not constitute a reissuance under the federal tax laws. Although, because of the private placement of these Bonds, it is not anticipated that a conversion would occur, the Members are being asked to approve the inclusion of this type of flexibility so that, if unforeseen circumstances occur, there would be the potential of converting to other mode structures without constituting a reissuance for federal tax purposes.

The Bond Resolution approves the form of the Bonds, the Loan Agreements, the Trust Agreements, and the Private Placement Memorandums and authorizes the Authorized Officers of the Authority to execute such documents in the form presented to the Authority with such changes as counsel may advise and the executing Authorized Officer may approve. The Bond Resolution further appoints TD Bank, National Association Trustee, Bond Registrar, Paying Agent and Tender Agent for the Bonds. Finally, the Bond Resolution authorizes and directs the

Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate in order to effectuate the execution and delivery of the documents authorized under the Bond Resolution and the issuance and sale of the Bonds.

Mr. Escher asked for an explanation of the letters “RAA,” which Mr. Fillebrown said stood for Radian Asset Assurance. Mr. Conroy asked if there was anything out of the ordinary in this transaction. Mr. Hopkins stated that the only somewhat unusual trait of this transaction, which was also included in the Kennedy Health Facilities transaction, is the inclusion of a put option, which allows the bank to put the bonds back to the borrower after a set time period. For the Kennedy transaction, that time period is seven years; for this transaction that period is ten years. Such put options may become more popular going forward as banks participate in private placements. Mr. Hopkins noted that Ms. Kralik had recommended earlier in the week that any information on these puts be included in the transaction summary that is mailed to the Members prior to the Authority meetings. Staff will include this information going forward.

Commissioner Howard asked if the hospital is confident that it can fill the new facility constructed with the bond proceeds. Mr. Foley stated that the project does not include any increase in beds; it is primarily aimed at upgrading the hospital’s existing operating rooms and endoscopy unit and moving the Hazmat area. He stated that the hospital currently has the capacity for these procedures, but it wishes to improve the surgical facilities.

Commissioner Howard asked the Members' pleasure with respect to the adoption of the Bond Resolution. Mr. Escher moved that the document be approved. Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-21

NOW, THEREFORE, BE IT RESOLVED, That the Authority hereby approves the Bond Resolution entitled, “A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, SHORE MEMORIAL HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2009 AND REVENUE BONDS, SHORE MEMORIAL HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2010.”

Mr. Foley thanked the Members for approving the transaction and applauded the Authority’s excellent staff, which he said is always appreciated.

C. Somerset Medical Center

Suzanne Walton Suzanne Walton introduced James DeRosa, Vice President of Finance of Somerset Medical Center. She then described Somerset Medical Center (the “Medical Center”) as a 355-bed acute care hospital facility located in Somerville, New Jersey. Serving the residents of Somerville and neighboring communities in Somerset, Middlesex and Hunterdon Counties, the Medical Center offers a full range of medical, surgical and diagnostic programs and services, as well as a wide variety of community health education programs and screening services.

Ms. Walton indicated that today she requests the Members’ approval of the sale of an Equipment Revenue Note on behalf of Somerset Medical Center. She reminded the Members that in order to qualify for financing through the Program, the financing must be for less than \$15 million, proceeds can be used only for equipment and minor installation costs, and the issue

must be unrated. Financings under the program have received approval to be completed as negotiated private placements. Therefore, no underwriters are needed for the transactions.

The Medical Center would like to issue a \$5,585,500 Equipment Revenue Note to finance the acquisition of computer network equipment, operating room monitors, digital x-ray equipment, and the equipment and fit-out renovations for a cardiac catheterization lab. Proceeds would also be used to pay the related costs of issuance. The Note will be privately placed with GE Government Finance, Inc. and will be secured by a first lien on the equipment being financed. The term sheet offered by GE establishes an interest rate of 5.45% and requires the Note to be repaid in consecutive monthly installments of principal and interest over an 84-month period. GE will provide the Authority with a traveling Investor letter with respect to the issuance and sale of the Note. Ms. Walton then asked Bond Counsel to outline the Note Resolution.

NOTE RESOLUTION

John Draikiwicz, Esq. of Gibbons P.C. stated that the Note Resolution authorizes the issuance of an Equipment Revenue Note in the amount of \$5,585,500 prior to or by the close of business on November 18, 2009. As stated by Ms. Walton, the Note will carry an interest rate of 5.45% per annum and shall mature on the date that is not later than eighty-four (84) months following the date of issuance. The Note shall be subject to prepayment as set forth in the form of Note appearing as an appendix to the Master Financing Agreement Terms.

The Note Resolution approves the form of the Note, the Master Financing Agreement Terms, including Schedule 1 which incorporates the terms of this loan and an Escrow Agreement. In addition, the Resolution states that the revenues derived by the Authority pursuant to the Master Financing Agreement shall be paid directly to the Noteholder and applied to the payment of principal and interest on the Note when due. Finally, the Note Resolution authorizes and directs the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate in order to effectuate the execution and delivery of the Agreement and the issuance and sale of the Note.

Mr. Lee asked how broadly the Program identifies “equipment” and whether or not it includes software. Ms. Walton stated that the inclusion of software is considered on a case-by-case basis. In this instance, the software is not included in the financing. However, if bond counsel was comfortable including software in a future Equipment Revenue Note Program financing, the Authority would recommend it if the borrower so desired.

Commissioner Howard asked the Members’ pleasure with respect to the adoption of the Note Resolution. Mr. Escher moved that the document be approved. Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-22

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Note Resolution entitled, “A RESOLUTION PROVIDING FOR THE ISSUANCE OF A NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY EQUIPMENT REVENUE NOTE, SOMERSET MEDICAL CENTER, SERIES 2009 IN AN AMOUNT EQUAL TO \$5,585,500.”

Mr. DeRosa stood to thank the Authority Members for their approval of this “very much needed” revenue note. Commissioner Howard then closed the public hearing required by the

Tax Reform Act of 1986 on behalf of Kennedy Health Facilities, Shore Memorial Hospital and Somerset Medical Center.

INFORMATIONAL PRESENTATION

Chilton Memorial Hospital

Bill McLaughlin reminded the Members this is an informational presentation on a proposed bond transaction for the Forest S. Chilton, 3rd Memorial Hospital, Inc. (“Chilton”), which is a 256-bed not-for-profit acute-care hospital located in Pequannock Township. He introduced two guests from Chilton: President and Chief Executive Officer Dr. Deborah Zastocki and Chief Financial Officer Michael Richetti.

Chilton requests the issuance of approximately \$40,000,000 of bonds on its behalf, the proceeds of which would be used to: refund the Authority’s 1993 Series D; refinance a line of credit with Wachovia Bank that was used to construct and equip a building addition for the MRI, renovations to the Family Care Center Nursing Unit, renovations to the Radiology Department, and renovations to common area corridors; finance capital budget items including the renovation and equipping of a new Cardiac Catheterization Suite, renovations to two nursing units, renovations to the Wound Care Center and renovating and purchasing equipment for the Surgical area; fund Capitalized Interest; fund the Debt Service Reserve; and pay related costs of issuance.

The transaction is expected to be structured as a fixed rate financing. Chilton is currently rated “Baa1” by Moody’s and “BBB+” by Standard & Poor’s. These ratings are not expected to change as a result of this issuance.

Chilton’s annual financial information indicates that Days Cash on Hand decreased from 122.67 days in 2007 to 91.10 days in 2008 primarily due to unrealized mark to market losses on the Temporary Investments Portfolio. Despite this change, Chilton’s Days Cash on Hand position remains materially stronger than the 2008 Statewide Median of 59.09 days. The Operating Margins for the years 2007 and 2008 were positive at 3.22% and 0.96%, respectively. Debt Service Coverage Ratio and the Cushion ratio at year end 2008 were solid at 2.37 times and 9.29 times respectively. Days in Accounts Receivable were slightly high at 50.04 days versus the statewide median of 45.81 days, and Full Time Employees per adjusted occupied bed were 5.18 versus a statewide median of 5.25.

Mr. McLaughlin added that unaudited six-month interim financial statements for the period ending June 30, 2009 indicate a loss from operations of approximately \$702,000. This loss is primarily attributed to the impact of a slight payer mix shift that has resulted in increases in Medicaid and uninsured patients, as well as the impact of the national recession leading many patients to defer certain diagnostic and elective procedures. Month end results for the period ending July 31, 2009 indicate a positive operating margin of approximately \$314,000, which adjusts the year to date loss down to approximately \$388,000.

Chilton’s Annual Inpatient Utilization Trends for the period 2007 to 2008 are positive, showing a slight increase in inpatient admissions, while length of stay has decreased modestly. Utilization statistics derived from interim financials indicating six-month performance are consistent with 2008’s year-end results.

Commissioner Howard noted that she recently had the pleasure of touring the Chilton facility and had been working with Dr. Zastocki. She applauded the hospital for its positive financial conditions which she called especially heartening in these difficult economic times for many New Jersey hospitals. She asked if the change in the payor mix was something local to Chilton or reflective of an issue occurring across the state. Dr. Zastocki stated that she believed

the change is one experienced by many New Jersey hospitals, noting that it is certainly consistent with the hospitals across Chilton's geographic area. She noted that Chilton is taking an active role in measures to get people covered by the available programs.

This report was for informational purposes only; no action was required.

NEGOTIATED SALE REQUEST

Mr. Hopkins stated that Hunterdon Medical Center ("Hunterdon") had signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to finance: (i) the refunding of approximately \$7.8 million of the Authority's 1990 Series A Bonds; (ii) the \$3.5 million purchase of a new linear accelerator and related equipment; (iii) the \$1.5 million construction of a new vault to house the new cancer center equipment; (iv) the funding of a debt service reserve fund, if necessary; and (iv) the payment of costs of issuance. The total amount of bonds is expected to be \$13 to \$15 million.

On behalf of Hunterdon, the Authority issued approximately \$19.7 million in bonds in 1990 and \$39.6 million in bonds in 2006. As of June 30, 2009, approximately \$8.1 million and \$39 million remained outstanding on those issues, respectively. The 1990 bonds are expected to be refunded by the bonds under consideration today. The Authority also issued bonds on behalf of Hunterdon in 1994. None of those bonds remain outstanding.

Hunterdon is a 178-bed not-for-profit acute care community teaching hospital located in Raritan Township. Its corporate parent, Hunterdon Healthcare System, is also a not-for-profit corporation and is the corporate parent to the following affiliates: Hunterdon Medical Center Foundation, Inc., Midjersey Health Corporation and Hunterdon Regional Community Health.

According to audited financial statements provided with the Memorandum of Understanding, Hunterdon generated a deficiency in revenues over expenses of approximately \$4 million in 2008 and excess revenues over expenses of approximately \$11.8 million in 2007. The loss in 2008 is largely attributed to a 33% increase in charity care, depreciation for bond financed projects in the last quarter of 2008 and limited revenue growth. Unaudited information for the first six months of 2009 shows revenues in excess of expenses of approximately \$4.3 million.

Hunterdon has asked that the Authority permit the use of a negotiated private placement sale based on market volatility and the issuance of variable rate bonds. These reasons are considered under the Authority's Executive Order #26 policy, to be justification for the use of a negotiated private placement sale. Staff then recommended the Members' consideration of the resolution approving the use of a negotiated private placement sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Hunterdon is in the process of selecting a Placement Agent for the bonds. Additionally, Hunterdon has researched several law firms from the Authority's qualified list and has requested and received the approval of the Attorney General's Office to have the law firm of Windels, Marx, Lane & Mittendorf serve as bond counsel.

Mr. Escher made a motion to approve the pursuit of a negotiated private placement on behalf of Hunterdon Medical Center; Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-23

(attached)

AUTHORITY EXPENSES

Commissioner Howard referenced a summary of Authority expenses and invoices and then Mr. Escher offered a motion to approve the bills and to authorize their payment; Mr. Lee seconded. Commissioner Howard voted yes, Mr. Escher voted yes, Mr. Lee voted yes, Ms. Kralik abstained, and Ms. Stokley voted yes. The minutes were approved.

AB RESOLUTION NO. JJ-24

WHEREAS, the Authority has reviewed memoranda dated August 20, 2009, 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 \$201,442.92, \$82,212.09 and \$13,736.97 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

Commissioner Howard thanked staff for their preparation of staff reports, including the Project Development Summary, Cash Flow Statement, and Legislative Advisory. Mr. Escher noted that there were no legislative updates, to which it was stated that the State Legislators have been in recess since the last Authority meeting and will remain so until the beginning of November. Governor Corzine has also not signed any relevant bills into action since the last meeting.

Mr. Hopkins then presented his Executive Director's Report which stated the following:

1. The Authority's auction of the Blue 2005 Prius resulted in a winning bid of \$10,500. The purchaser conducted an inspection of the car on Tuesday and is scheduled to pay for and pick up the car on Monday, August 31st. Mr. Hopkins noted that this is slightly less than he expected, which was \$11,000 to \$13,000 (the approximate Blue Book value of the car). Still staff is pleased to have had a successful sale of the car on eBay.
2. This past Monday, the Authority received an application for a \$2 million loan under the Authority's newly approved loan program for Federally Qualified Health Centers from the Lakewood Resource and Referral Center, Inc., which is doing business under the name Center for Health Education, Medicine and Dentistry ("CHEMED"). CHEMED is located at 1771 Madison Avenue (Route 9) in Lakewood, New Jersey. It received notice of its grant award as an FQHC from the U.S Department of Health and Human Services on February 26th, 2009 and its CMS Provider number on July 23, 2009. Staff has begun reviewing the loan application and hopes to have a recommendation before the Authority Members at either the Authority's September or October meeting.
3. The Authority has been communicating with key members of New Jersey's Health Information Technology Commission, which is charged

with crafting the State's plan for Healthcare Information Technology ("HIT") and recommending projects eligible for grants available under the federal stimulus package. As was previously discussed with the Members, legislation had been proposed to create a separate new authority to administer the HIT grant funds and to provide bond financing for healthcare information technology. Because this Authority's mission overlaps considerably with the purposes and governance of the proposed new Authority and in order to reduce costly duplication of staffing and expertise, the Authority is being considered as a possible administrator for the federal grant funds received for health care information technology, as well as the bond financing agency for projects not fully funded by grants.

Commissioner Howard noted that this is another example of the Authority being at the center of some exciting policy matters. There is a large sum of funds available through Federal Stimulus packages and the Governor is interested in making sure New Jersey takes full advantage of whatever funds are available for use. If the Authority is able to help with that initiative, it would be a great assistance to the State.

4. Authority staff has been considering the role it can play to help health care organizations achieve energy efficiency and clean energy goals. Lou George, Steve Fillebrown and Mark Hopkins met with representatives from the Department of Environmental Protection, Board of Public Utilities and PSE&G regarding the various grants, tax credits and tax exempt financing opportunities for health care organizations. Because there are many programs available from many sources, the Authority staff is considering sponsoring a symposium to introduce the various programs and respective contact people to the Authority's constituent health care organizations. Mr. Hopkins added that the Economic Development Authority coordinated financing packages to pair with the grants, and while this Authority is not included in those packages, the Authority can offer financings of its own to complement those packages.

Commissioner Howard said that this is another exciting area of business for this Authority noting that she recently toured the site for the new Princeton HealthCare System and University Medical Center which will include environmentally efficient energy structures and features, as well as other green facility characteristics. She noted that this is a subject that greatly interests the Governor, and she is happy to see the Authority take a proactive role in this area.

5. In hospital news, Greg Adams has retired as CFO of Holy Name Hospital, no successor has been announced.

Twelve New Jersey hospitals are participating in a three-year Medicare demonstration project which is "the country's first major test of whether doctors will work with hospitals to cut costs and improve health care quality if they are given . . . financial incentives" referred to as gainsharing. The goal is to align the financial incentives for doctors, who get paid by Medicare on a fee for service basis, with hospitals, who get paid a lump sum based on diagnosis. The hospitals participating are:

AtlantiCare, CentraState, Holy Name, Hunterdon, Jersey Shore, JFK, Monmouth, St. Francis, Our Lady of Lourdes, Overlook, Somerset and Valley. An article on the program, which includes a quote from former Authority Executive Director Michael Kornett, has been supplied to Authority Members today.

Meridian Health System and Bayshore Community Hospital have agreed to a merger, pending approval by regulators. Authority Members may also recall that in May Meridian agreed to a merger with Southern Ocean County Health System.

Capital Health's Helene Fuld Hospital has been in contentious negotiations with Horizon Blue Cross Blue Shield much of this summer, culminating in Horizon's cancellation of Fuld's in-network status the middle of this month. Recently, however, Governor Corzine requested, and both parties have agreed to, nonbinding mediation with the State's Public Advocate to try to work out their differences.

6. In Authority news, according to the Bond Buyer, the Authority issued the second most bonds, by volume, in the State of New Jersey for the first half of 2009. It was also the number two issuer of bonds in New Jersey in 2008, after being 5th in 2007 and 4th in 2006. It was stated that the Economic Development Authority or the New Jersey Turnpike Authority likely came in first.

This concluded the Executive Director's report.

EXECUTIVE SESSION

Commissioner Howard asked the Members to meet in Executive Session, as permitted by the Open Public Meetings Act and the Authority's By-Laws, to discuss bankruptcy litigation and receive advice from the Attorney General's Office regarding St. Mary's Hospital of Passaic. Mr. Escher offered a motion to meet in Executive Session; Ms. Stokley seconded the motion. The vote was unanimous and the motion carried. Commissioner Howard noted that the results of this discussion will be made public when the need for confidentiality no longer exists.

AB RESOLUTION NO. JJ-25

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 bankruptcy litigation and receive advice from the Attorney General's Office regarding St. Mary's Hospital of Passaic;

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, following a motion by Mr. Escher and a second by Ms. Kralik, the Members voted unanimously to adjourn the meeting at 11:08 a.m.

Following the closing of the meeting, Commissioner Howard stated that, while this is only her second time chairing the meeting, she remains in close contact with the Authority staff. She lauded the important role being played by the Authority within the State and thanked the staff and Members for their work and dedication.

I HEREBY CERTIFY THAT THE
FOREGOING IS A TRUE COPY OF
MINUTES OF THE NEW JERSEY
HEALTH CARE FACILITIES
FINANCING AUTHORITY MEETING
HELD ON AUGUST 27, 2009.

Carole A. Conover
Assistant Secretary

AB RESOLUTION NO. JJ-23

**RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY
PRIVATE PLACEMENT TRANSACTION PURSUANT TO
EXECUTIVE ORDER NO. 26**

Hunterdon Medical Center

WHEREAS, the New Jersey Health Care Facilities Financing Authority (the “Authority”) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29, N.J.S.A. 26:2I-1 et seq., as amended (the “Act”), for the purpose of ensuring that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State; and,

WHEREAS, the Authority issues its bonds from time to time for the achievement of its authorized purposes; and

WHEREAS, on October 25, 1994, the Governor issued Executive Order No. 26 which sets forth procedures by which an issuer may determine the method of sale of bonds or notes; and,

WHEREAS, on December 8, 1994, the Authority adopted Section 2 of its policy which was developed to implement Executive Order No. 26, which requires an Authority resolution to pursue a negotiated sale of bonds; and,

WHEREAS, on March 28, 1996, the Authority amended its policy related to Executive Order No. 26; and,

WHEREAS, the Authority’s policy states that a negotiated sale of bonds will be conducted if it is determined by the Authority that it would better serve the requirements of a particular financing; and,

WHEREAS, a negotiated transaction would be permitted in circumstances including, but not limited to, the sale of bonds for a complex or poor credit; the development of a complex financing structure, including those transactions that involve the simultaneous sale of more than one series with each series structured differently; volatile market conditions; large issue size; programs or financial techniques that are new to investors; or, for variable rate transactions; and,

WHEREAS, Hunterdon Medical Center has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

WHEREAS, Hunterdon Medical Center has requested that the Authority consider approving the pursuit of a negotiated sale; and,

WHEREAS, market conditions could be considered volatile; and,

WHEREAS, Hunterdon Medical Center is considering the issuance of variable rate bonds for all or a portion of the Financing; and,

WHEREAS, Hunterdon Medical Center has requested consideration of a determination that a negotiated private placement sale is the appropriate method of financing; and,

WHEREAS, the Authority's policy states that a private placement would be permitted if, on an analysis by the borrower, a private placement would be more beneficial to the borrower than a public sale, and the borrower provides, in writing, the reasons for the use of a private placement; and,,

WHEREAS, Hunterdon Medical Center provided such reasons; and,

WHEREAS, the Authority is desirous of being responsive to Hunterdon Medical Center's request; and,

WHEREAS, the aforementioned resolution and justification in support of such resolution must be filed, within five days of its adoption, with the State Treasurer;

NOW, THEREFORE, BE IT RESOLVED, that, based upon the above findings, the Authority hereby determines that it would better serve the requirements of this Financing to conduct a negotiated sale; and,

BE IT FURTHER RESOLVED, that the Executive Director is hereby directed and authorized to transmit a copy of this Resolution and justification in support of such resolution to the State Treasurer.