Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on December 18, 2008 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:
William Conroy, Designee of the Commissioner of Health and Senior Services (serving as Chair pro-tem); Ulysses Lee, Public Member (attending via conference call); 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, Dennis Hancock, Steve Fillebrown, Jim Van Wart, Suzanne Walton, Susan Tonry, Lou George, Carole Conover, Michael Ittleson, Marji McAvoy, Bill McLaughlin, and Stephanie Bilovsky.

The following **representatives from State offices and/or the public** were in attendance:
Kay Fern, Evergreen Financial; Maryann Kicenuk, Windels Marx Lane & Mittendorf; Dan Davis, Catholic Health East; Kevin Stagg, Christopher Cagnassola, Christian Health Care Center; Joseph Neal, Authorities Unit; and Clifford T. Rones, Office of the Attorney General.

CALL TO ORDER

Mark Hopkins called the meeting to order at 10:02 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 22, 2008 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.

In the absence of the Authority's Chairperson and Vice Chair, Ms. Kralik nominated Bill Conroy to serve as Chair pro-tem for the meeting. Ms. Stokley seconded. The vote was unanimous.

AB RESOLUTION NO. II-42

NOW, THEREFORE, BE IT RESOLVED, that, in the absence of the Authority's Chairperson and Vice Chairperson, William Conroy will serve as the Chair pro tem for the December 18, 2008 Authority meeting.

APPROVAL OF MINUTES

November 20, 2008 Authority Meeting

Minutes from the Authority's November 20, 2008 meeting were presented for approval. Ms. Stokley made a motion to approve the minutes; Mr. Kralik seconded. Mr. Conroy voted yes, Mr. Lee voted yes, Ms. Kralik voted yes, and Ms. Stokley voted yes. The motion to approve the meeting minutes passed.

NEGOTIATED SALE REQUESTS & INFORMATIONAL PRESENTATIONS

A. Catholic Health East

Mr. Conroy stated that the Members would now be asked to approve the use of negotiated sales on behalf of Catholic Health East and Christian Health Care Center and added that these two presentations will include an informational portion to facilitate a quicker entry into the market.

Mark Hopkins then began the Catholic Health East ("CHE") presentation by introducing Dan Davis, CHE's Director of Capital Management. CHE signed a Memorandum of Understanding with the Authority to undertake a current refunding of up to $101 million of the index bonds issued by the Authority in 2007. CHE plans to accomplish the current refunding by pursuing a tender and exchange offer through which all the existing 2007 bondholders will have the right to either sell their bonds back to CHE or to receive a current coupon bond in exchange for their 2007 bonds. Proceeds would also be used to finance the costs of terminating the swap associated with the 2007 bonds and a debt service reserve fund. With those costs and costs of issuance, CHE is seeking to finance a total of no more than $105 million through the Authority. The actual amount to be issued may be considerably less and will be based on the amount of bonds tendered or exchanged by the holders of the 2007 bonds.

CHE plans to refund the 2007 bonds due to recent events in the bond market. If the tender and exchange goes as hoped, the benefit to CHE will be (i) a reduction of CHE's outstanding debt; (ii) potential debt service savings, and (iii) the elimination of existing fixed payor swaps, thereby reducing mark-to-market volatility and swap counterparty risk.

Mr. Hopkins described CHE as a Pennsylvania nonprofit corporation which controls, directly or indirectly, various affiliates that constitute the CHE Health System. The affiliates own and operate or manage health care facilities and provide health care and related services in eleven states, including general acute care hospitals, long-term care facilities, skilled nursing facilities and behavioral health facilities with an aggregate of approximately 12,100 beds and 1,900 living units for the elderly. In New Jersey, CHE owns Lourdes Medical Center of Burlington County located in Willingboro, Our Lady of Lourdes Medical Center located in Camden, and St. Francis Medical Center located in Trenton. CHE is also the parent corporation of St. Michael's Medical Center, Inc. which owns and operates the hospital of the same name in Newark.

The Authority issued $67.1 million in bonds for CHE in 1999 and approximately $101.4 million in 2007. Approximately $31 million and $101 million, respectively, remain outstanding as of September 30, 2008. Some or all of the 2007 bonds are expected to be defeased or refunded by the 2008 bonds. The Authority also issued $3.1 million in bonds for St. Francis Medical Center under the 2003 COMP program, of which $2.1 million remains outstanding. The Authority has issued numerous other series of bonds for CHE and predecessor entities, all of which are no longer outstanding or have been defeased. In July of this year, the Authority issued $252.5 million in Hospital Asset Transformation Program Bonds on behalf of St. Michael's Medical Center, all of which remain outstanding. The 2008 bonds are backed by a State contract and St. Michael's Medical Center may receive forgiveness on debt service payments on those bonds for the first five years if certain financial indicators are not met.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, CHE generated excess revenues over expenses of approximately $254.8 million for 2007 and approximately $199.2 million for 2006. Unaudited information through September 2008 shows a deficit of revenues over expenses of approximately $58.6 million. Approximately $85.4 million of the deficit resulted from unrealized losses on trading securities, $32.5 million resulted from changes in fair value of interest rate swaps and $7.8 million resulted from unrealized losses from managed funds.

CHE has asked the Authority to permit the use of a negotiated sale based on: (i) sale of a complex financing structure including those transactions that involve the simultaneous sale of more than one series of bonds with each series structured differently; and (ii) volatile market conditions. Since these reasons are considered under the Authority's Executive Order #26 policy to be justification for the use of a negotiated sale, staff recommended approving the use of a negotiated sale and the forwarding of a copy of the justification in its support to the State Treasurer.

Mr. Hopkins added that, after performing a competitive process, CHE selected Merrill Lynch & Co. and Goldman Sachs & Co. to serve as co-senior managing underwriters for the bonds. Additionally, CHE received the Attorney General's approval to have the firm of McManimon & Scotland serve as bond counsel.

Ms. Stokley moved to approve the use of a negotiated sale on behalf of CHE; Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-43
(attached)

B. Christian Health Care Center

Mark Hopkins then began the Christian Health Care Center ("CHCC") presentation by introducing Kevin Stagg, who is Vice President and Chief Financial Officer of the facility, and Christopher Cagnassola, who is CHCC's Controller. CHCC signed a Memorandum of Understanding with the Authority to undertake (i) a current refunding of approximately $11.5 million of outstanding bonds issued by the Authority in 1997, and (ii) finance approximately $3 million for construction and equipment as well as to reimbursement itself for prior capital expenditures. With costs of issuance and capitalized interest, CHCC seeks to finance a total of approximately $15 million through the Authority.

In order to achieve cash flow savings, CHCC plans to refund the 1997A fixed rate bonds with variable rate demand bonds secured by a letter of credit from Valley National Bank.

Mr. Hopkins described CHCC as a New Jersey not-for-profit corporation which owns and operates a campus in Wyckoff consisting of: a 292-bed skilled nursing facility, a 92-bed assisted living residence, a 39-bed congregate residence, 40 senior residential housing units, a 58-bed mental health facility and several geriatric and mental health outpatient programs. CHCC is the sole member of the Christian Health Care Center Foundation, which was established to assist in the furtherance of its charitable mission. CHCC is also affiliated with Holland Mutual Charitable Health Corporation, which was established for the advancement of charitable health care issues as well as other charitable, religious, educational and scientific purposes, and Advent Christian Health Associates, P.C., a medical professional corporation.

In addition to the 1997A bonds which are being refunded, the Authority issued $6.6 million in COMP Program bonds in 2005, $1 million in COMP Program bonds in 1998 and $10.5 million in 1997B bonds issued in early 1998. All of those bonds are expected to remain outstanding. As of September 30, 2008 there was $6.6 million, $500,000 and $8.6 million outstanding on those issues, respectively. Bonds issued on behalf of CHCC in 1975, 1987 and 1993 are no longer outstanding or have been defeased.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, CHCC generated excess revenues over expenses of approximately $2.4 million for 2007 and approximately $2.7 million for 2006. Unaudited information through September of 2008 shows excess revenues over expenses of approximately $600,000.

CHCC has asked that the Authority permit the use of a negotiated sale based on: (i) sale of a complex or poor credit; (ii) volatile market conditions; and (iii) the expected use of variable rate debt. Since these reasons are considered under the Authority's Executive Order #26 policy to be justification for the use of a negotiated sale, staff recommended approving the use of a negotiated sale and the forwarding of a copy of the justification in its support to the State Treasurer.

Mr. Hopkins added that, after performing a competitive process, CHCC selected Ziegler Capital Markets to serve as senior managing underwriter and remarketing agent for the bonds. Additionally, CHCC received the Attorney General's approval to have the firm of Windels, Marx, Lane & Mittendorf serve as bond counsel.

Ms. Stokley moved to approve the use of a negotiated sale on behalf of CHCC; Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-44

(attached)

AMENDMENT OF 2009 AUTHORITY BUDGET

Mr. Conroy noted that Mr. Hopkins has requested an Executive Session, as permitted by the Open Public Meetings Act and the Authority's By-Laws, to discuss personnel matters, specifically salary adjustments as is discussed at the end of each year. The results of discussions will be made public when the need for confidentiality no longer exists. Ms. Stokley moved to meet in Executive Session; Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-45

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 matters, specifically salary adjustments;

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. Mr. Stokley made a motion to amend the Authority's 2009 Budget as discussed in Executive Session; Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-46

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby amends its 2009 Budget to reflect salary adjustments; and,

BE IT FURTHER RESOLVED, that the Authority hereby allows staff to do what is necessary to enact those adjustments.

MODIFICATION TO THE AUTHORITY'S QUALIFIED BANKER'S LIST

Mr. Conroy reported that TD Bank Financial Group had acquired certain Commerce Bancorp subsidiaries including Commerce Capital Markets, Inc., which currently remarkets a number of the Authority's variable rate bond issues. In anticipation of incorporating Commerce Capital's functions into TD Securities ("TD") on January 5th, TD submitted a Statement of Qualifications requesting to be included on the Authority's Qualified Bankers List as senior manager, co-manager, remarketing agent, placement agent and financial advisor. Staff confirmed that the information submitted indicates that TD is qualified to serve in those capacities and recommends the addition, effective with the transfer of Commerce Capital to TD. Mr. Conroy added that, if approved, staff will coordinate the transfer of remarketing agent duties from Commerce Capital to TD, as appropriate.

Ms. Stokley moved to add TD Securities to the Authority's Qualified Bankers List to serve as senior manager, co-manager, remarketing agent, placement agent and financial advisor for Authority transactions. Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-47

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adds TD Securities to the Authority's Qualified Bankers List to serve as senior manager, co-manager, remarketing agent, placement agent and financial advisor for Authority transactions; and,

BE IT FURTHER RESOLVED, that, upon the transfer of Commerce Capital Markets, Inc. functions to TD Securities, staff will coordinate the transfer of remarketing agent duties, as appropriate.

AUTHORITY EXPENSES

Mr. Conroy referenced a summary of Authority expenses and invoices. Ms. Stokley offered a motion to approve the bills and to authorize their payment; Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-48

WHEREAS, the Authority has reviewed memoranda dated December 11, 2008, 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 $616,492.39, $60,008.09 and $102, 606.76 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

Mr. Conroy thanked staff for their preparation of staff reports, including the Project Development Summary, Cash Flow Statement, and Legislative Advisory.

Mr. Hopkins then offered the following items in his Executive Director's Report:

1. On December 3rd, the Department of Health and Senior Services announced the award of $44 million in Hospital Stabilization Grants to six hospitals. Thirteen hospitals had filed applications totaling $132 million. The grants were given as follows:
    - Jersey City Medical Center - $22 million
    - St. Mary's Hospital - $7 million
    - East Orange Hospital - $5 million
    - Newark Beth Israel - $5 million
    - Raritan Bay Medical Center - $4 million
    - Kimball Medical Center - $1 million
2. Assembly Bill A3389 was passed by the Assembly on November 17th and by the Senate on December 15th. The bill clarifies the meaning of "the termination of the provision of hospital acute care services" in the Hospital Asset Transformation Program as including "the actual closure of, or other action taken to terminate acute care services at, a nonprofit hospital and the surrender of its license to provide hospital acute care services at that specific location, which occurred after the issuance by the commissioner of, and in accordance with the provisions of, a certificate of need . . . without regard to any pending appeal by a third party of the issuance of the certificate of need."
3. In hospital news, Thomas Litz will replace the retiring Jeffrey Goodwin as Warren Hospital's CEO on January 5th. Most recently, Mr. Litz served as President and CEO of hospitals in Rochester (NY), Birmingham (AL), and Oklahoma City (OK). Prior to that, he worked at Virtua Health System based in Camden as Senior Vice President and Chief Operating Officer and as President and CEO of the CentraState Healthcare System in Freehold.

    Deborah Heart & Lung Center is entering into an affiliation with Lourdes Health System to provide a Satellite Emergency Department on the Deborah campus.

    Bob Iannacone resigned as Chief Operating Officer of St. Mary's Hospital. He will be handling special projects at St. Barnabas Health System.

    Monmouth Medical Center, a member of the St. Barnabas Health System, laid off 51 employees on December 11th. The layoffs follow a decision last month to layoff 35 workers at St. Barnabas Health System's Community Medical Center. Hospital officials attributed the layoffs to inadequate Medicare, Medicaid and charity care reimbursements from the state and federal government.

    Virtua Health System is promoting a federal economic stimulus plan that would provide federal guarantees for loans or mortgages underlying bonds issued by state or local authorities for new hospital construction or major equipment purchases. Virtua and other hospitals have been contacting key federal lawmakers, members of the Obama transition team and State officials seeking support for the proposal. Virtua is currently working with the Authority on a $600 million financing primarily for the construction and equipping of a new hospital in Voorhees. If enacted, the proposal may also be able to be used to support upcoming financings for new hospital construction planned by Capital Health System and Princeton Health System.

4. In Authority news, Mr. Hancock and Mr. Hopkins attended a meeting of the major issuers of bonds in New Jersey hosted by the Office of Public Finance in the Treasury Department. The purpose of the meeting was to encourage communication and coordination of New Jersey's bond issuing entities so that the market would not be flooded by too many New Jersey based bonds at any one time. This is particularly important during the current tight credit market.

Mr. Conroy added that the Department of Health and Senior Services has some additional detail about the distribution of the Stabilization Fund grants on its website.

EXECUTIVE SESSION

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

AB RESOLUTION NO. II-50

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 receive advice from the Attorney General's office and discuss contractual negotiations 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, Ms. Stokley moved to adjourn the meeting, Ms. Kralik seconded. The vote was unanimous and the motion carried at 11:20 a.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY MEETING HELD ON DECEMBER 18, 2008.

Dennis Hancock
Assistant Secretary

AB RESOLUTION NO. II-43

RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26

Catholic Health East

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, Catholic Health East has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the "Financing"); and,

WHEREAS, Catholic Health East has requested that the Authority consider approving the pursuit of a negotiated sale; and,

WHEREAS, market conditions could be considered volatile; and,

WHEREAS, the Financing may be of a complex structure that involves the simultaneous sale of more than one series with each series structured differently; and,

WHEREAS, the Authority is desirous of being responsive to Catholic Health East'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.

AB RESOLUTION NO. II-44

RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26

Christian Health Care 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, Christian Health Care Center has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the "Financing"); and,

WHEREAS, Christian Health Care Center has requested that the Authority consider approving the pursuit of a negotiated sale; and,

WHEREAS, the Financing could be considered a complex or poor credit; and

WHEREAS, market conditions could be considered volatile; and,

WHEREAS, Christian Health Care Center is considering the issuance of variable rate bonds for all or a portion of the Financing; and,

WHEREAS, the Authority is desirous of being responsive to Christian Health Care 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.