

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on June 26, 2008 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 (Chair); Gus Escher, Public Member (Vice-Chair); Ulysses Lee, Public Member; Michael Keevey, Designee of the Commissioner of Human Services (via telephone); and Frank Cipriani, Designee of the Commissioner of Banking and Insurance.

The following **Authority staff members** were in attendance:

Mark Hopkins, Dennis Hancock, Lou George, Suzanne Walton, Susan Tonry, Carole Conover, Michael Ittleson, Ron Marmelstein, Marji McAvoy, Bill McLaughlin, Stephanie Bilovsky, and Rhonda Robins.

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

Maryann Kicenuik, Gary Walsh, Windels Marx Lane & Mittendorf; Toni Scott, Saint Barnabas Health System; Kay Fern, Evergreen Financial; Ken Bateman, Jim De Rosa, Somerset Medical Center; and Cliff Rones, Deputy Attorney General.

CALL TO ORDER

Gus Escher called the meeting to order at 10:21 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.

APPROVAL OF MINUTES

May 22, 2008 Authority Meeting

Minutes from the Authority's May 22, 2008 meeting were presented for approval. Mr. Lee offered a motion to approve the minutes; Mr. Cipriani seconded. Mr. Escher voted yes, Mr. Lee voted yes, Mr. Cipriani voted yes; and Mr. Keevey abstained. The minutes were approved. At this point, Commissioner Howard entered the meeting and began to serve as Chair.

BOND SALE REPORT

CentraState Healthcare System

Dennis Hancock stated that on May 28, 2008, the Authority completed the conversion of \$29,850,000 of taxable auction rate securities issued on behalf of CentraState Medical Center into taxable variable rate demand bonds. Immediately prior to the conversion, the Medical

Center was paying rates at levels approximating 5% and at the height of the auction rate crisis the interest rate reached 18%. The first weekly rate under the new structure was set at 2.5% and has continued at approximately that level since the conversion. The bonds are insured by Assured Guaranty and now there is a liquidity facility issued by Bank of America. The Broker/Dealer for the auction bonds had been UBS and the Medical Center used this opportunity to engage Banc of America Securities as the remarketing agent for the new structure.

After this conversion, the Authority only has two auction rate issues outstanding in the total amount of \$98,675,000. Both of these issues set rates under failed auctions by the use of an index, therefore, the rates have been relatively low. However, the bondholders have not been able to resell their bonds and continue to pressure the borrowers to convert, so staff expects to work on these issues over the summer.

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

TEFRA HEARING & CONTINGENT BOND SALE Somerset Medical Center

Commissioner Howard stated that the following portion of today's meeting will be considered a public hearing in connection with the proposed issuance of bonds on behalf of Somerset Medical Center (the "Medical Center"). This hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended. As a public hearing, she welcomed everyone to participate in the discussion, after Suzanne Walton presented the transaction.

Suzanne Walton introduced Ken Bateman, President and Chief Executive Officer of Somerset Medical Center and Jim De Rosa, Vice President of Finance.

Ms. Walton pointed out to the Members that the project description included in the mailing package was changed this week. The Medical Center decided to finance the renovations to the cafeteria and other hospital areas with funds outside of this bond issue and substituted other additional equipment. An amended project description and Resolution, excluding the renovations component, have been placed on the table.

She indicated that the Members of the Authority were being asked to consider a contingent sale of bonds on behalf of Somerset Medical Center in an aggregate principal amount not to exceed \$28,000,000. She noted that the proceeds of the bonds would be used to: currently refund all of the Authority's Series A Bonds issued in 1994, acquire various equipment including a CT scanner, and pay the related costs of issuance.

She reminded the Members that, at last month's meeting, Mr. Hopkins explained that the current holder of the bonds, Morgan Stanley, purchased them through a tender option transaction in 2004. While this helped the Medical Center reduce its overall interest cost, Morgan Stanley was given certain rights related to the ratings on the bonds. Because of the recent downgrades of FGIC, the bond insurer on the 1994 Bonds, and the Medical Center's downgrade to "Ba2", Morgan Stanley has required Somerset Medical Center to refund the bonds and terminate swaps entered into in 2004.

Somerset Medical Center concluded that the most economical way for it to handle the transaction is to refund the bonds using variable rate demand bonds enhanced by a letter of credit by TD Bank. The Bonds will initially bear interest at the weekly interest rate, but the documents allow for conversion to other interest rate modes, including daily rates, short-term rates, long-term rates, fixed rates or auction rates securities, upon receipt of an Opinion of Bond Counsel.

Upon conversion, all outstanding bonds would be tendered and new bonds issued. Although the credit rating for the bonds has yet to be assigned, it is expected that the bonds will reflect the credit ratings of the letter of credit provider, which is rated "Aa2/P1" by Moody's Investors Services, Inc. and "Aa-/A-1+" from Standard & Poor's Ratings Services.

Ms. Walton noted that the Medical Center provided projections for 2008 through 2010, which have been reviewed by staff and included with the mailing material. She then turned the presentation over to bond counsel to outline the Bond Resolution and offered to answer any questions the Members may have regarding the transaction after bond counsel's presentation.

BOND RESOLUTION

Maryann Kicenuik, Esq., of Windels Marx Lane & Mittendorf, LLP stated that the Bond Resolution authorizes the issuance of the Series 2008 bonds in an aggregate principal amount not to exceed \$28 million and shall bear interest initially at a Weekly Interest Rate not to exceed five percent (5%) per annum and, thereafter, the interest rate on the Series 2008 Bonds shall not exceed twelve percent (12.0%) per annum, unless the Series 2008 Bonds are held by the Bank or a Liquidity Provider, in which case, the interest rate shall not exceed 25% per annum. The Bonds will have a final maturity of no later than July 1, 2024 and 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 Bonds will be paid from draws on the direct-pay letter of credit to be issued by TD Bank, N.A. and under the terms of a Reimbursement Agreement. The Hospital will be obligated to reimburse the Bank for draws on the letter of credit.

The Bond Resolution approves the form of and authorizes the execution of a Bond Purchase Contract prior to close of business on September 24, 2008 with the condition that the underwriter's discount may not exceed \$4.50 per \$1,000 principal amount of the Bonds. The Bond Resolution also approves the form of the Bonds, the Loan Agreement, the Trust Agreement, the Remarketing Agreement and the Official Statement 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 authorizes the securing of the Bonds by the Letter of Credit issued pursuant to the Reimbursement Agreement. The Bond Resolution further appoints U.S. Bank National Association as Trustee, Tender Agent, and Bond Registrar for the Bonds and appoints Commerce Capital Markets, Inc. as the initial Remarketing 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 Series 2008 Bonds. Commissioner Howard asked why did the hospital shift the project to exchange the CT Scan in place of the cafeteria. Ken Bateman replied that it was decided that the cafeteria could be funded with more internal funds. Also, a CT Scan needs to be replaced more immediately, and this will cost approximately \$1.7 million. Commissioner Howard asked if remodeling the cafeteria is expected to bring in revenue? Mr. Bateman stated that revenue is not a motivation for the remodeling. The cafeteria had not been remodeled in 40 years and was due for upgrades.

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. II-08

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, SOMERSET MEDICAL CENTER ISSUE, SERIES 2008.

Commissioner Howard then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended.

SUPPLEMENTAL RESOLUTION

Saint Barnabas Health System

Lou George introduced Tom Scott, Vice President of Corporate Finance at Saint Barnabas Health System ("Saint Barnabas"). Mr. George reported that Saint Barnabas has \$70.3 million of Series 2001B auction rate securities outstanding that they would like to convert to a fixed rate. Their auctions have been failing, but the maximum interest rate is tied to an index, and as a result, their recent seven (7) day auction interest rates have been ranging between 4.07% on May 5th to 2.835% on May 26th. However, because of failed auctions, bondholders have been unable to liquidate their holdings.

The 2001 bond documents allow for a conversion to a fixed rate if the bonds are sold at par. However, Citigroup, the remarketing agent, has suggested to Saint Barnabas that the converted bonds be structured with both discounts and premiums thereby permitting Saint Barnabas to achieve the best interest rates possible and potentially fund all or a portion of the costs of conversion.

Mr. George directed the Members attention to a "Supplement to the Amended and Restated Series Resolution" that allows for the issuance of discount and premium bonds. Because the bonds will continue to be insured by FSA, Section 3 of the Supplement requires receipt of the bond insurer's consent prior to the Supplement taking effect and the insurer has provided the Authority with this consent. All other actions necessary to convert the Saint Barnabas auction rate bonds will be accomplished in accordance with either the original documents or the blanket resolution, wherein the Executive Director was authorized to take action necessary to convert outstanding auction rate securities into another mode.

Mr. Escher moved to approve the requested Supplemental Resolution on behalf of Saint Barnabas. Mr. Cipriani seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-09

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the SUPPLEMENT TO THE AMENDED AND RESTATED SERIES RESOLUTION ADOPTED SEPTEMBER 26, 2001 AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS (SAINT BARNABAS HEALTH CARE SYSTEM ISSUE) SERIES 2001A IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$50,000,000 AND (SAINT BARNABAS HEALTH CARE SYSTEM ISSUE) SERIES 2001B IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$85,000,000 (attached)

AUDIT COMMITTEE REPORT

Ernst & Young Auditing Contract

Frank Cipriani reported that the Audit Committee met on June 10, 2008. At issue was the fact that the Authority's three-year contract for auditing services with Ernst & Young expired with the completion of the audit for the year ending December 31, 2007. At the Committee meeting, staff asked the Committee to consider the first of two allowable one-year extensions of that contract with Ernst & Young.

Mr. Cipriani explained that a Request for Proposal ("RFP") was issued for a new auditing services contract in 2005. This RFP was guided by Executive Order 122 issued by the former Governor McGreevey, which established an Evaluation Committee and an Audit Committee and limited the involvement of Authority staff in the RFP process.

The contract that resulted from this RFP was awarded to Ernst & Young for a three-year period with the option for two additional one-year extensions.

Staff's recommended one-year extension would cover the audit for the year ending December 31, 2008. In accordance with the terms of the original agreement, the fee for the auditing services is based on the Consumer Price Index for all Urban Consumers in the New York Metropolitan area for the calendar year 2007, which is 2.83%. According to this index, the fee will increase from \$41,300.00 to \$42,468.79 with out-of-pocket expenses remaining at \$3,500. Taking into account the out-of-pocket expenses, this is an overall increase of \$1,168.79 or 2.61%.

The staff does not believe there are any disadvantages to the extension, noting that Ernst & Young sends new field workers each year to the Authority to review the Authority's work.

Ernst & Young also routinely changes the executive independent review partner who reviews the audit. Therefore, though the auditing firm remains the same, the audit itself is performed by people new to the Authority giving the review a fresh set of eyes.

The Audit Committee voted unanimously to recommend the Authority's acceptance of the first allowable one-year extension to the Authority's auditing contract with Ernst & Young. Mr. Cipriani asked if the Authority Members have any questions. Michael Ittleson stated that this is the first of two permissible extensions, which is why we are hearing about the index now.

Mr. Cipriani moved to approve the one-year extension of Ernst & Young's auditing contract with the Authority. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-10

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a one-year extension of Ernst & Young's auditing contract with the Authority, thereby covering the audit for the year ending December 31, 2008.

APPROVAL OF DIVISION OF LAW AGREEMENT

Michael Ittleson reported that staff is asking the Members to approve the Fiscal Year 2009 Legal Services Agreement between the Authority and the Division of Law. The proposed agreement contemplates the assignment of 1½ Deputies Attorney General and the use of secretarial staff plus overhead. The estimated annual cost in the agreement is \$255,812.00. It should be noted that at the end of each fiscal year, the Division of Law does a reconciliation

comparing actual hours worked for the fiscal year to the estimated payments, and if the estimated payments are more than the actual hours used, a refund is given to the Authority. If the estimated payments are less than the actual hours used, an additional payment is made by the Authority.

At this point, the Authority's calendar year 2008 budget contains sufficient funds to pay the two remaining quarterly invoices that will be received around November.

Mr. Escher moved to approve the Division of Law Agreement, as recommended by staff. Mr. Cipriani seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-11

NOW, THEREFORE, BE IT RESOLVED, that the Authority approved the Fiscal Year 2009 Legal Services Agreement between the Authority and the Division of Law, which contemplates the assignment of 1½ Deputies Attorney General and the use of secretarial staff plus overhead at an estimated annual cost of \$255,812.00.

FINANCIAL PRINTING CONTRACT EXTENSION

Marji McAvoy reported that the two-year contract for the printing of preliminary and final official statements and other related documents for Authority revenue bonds expired on October 31, 2007. The contract allowed for three additional one-year extensions with all original terms remaining in effect for the extended period.

Last year, the Authority reappointed Bowne & Co. to the first of these extensions. The staff recommended that the Members extend the contract for the second one-year period to commence November 1, 2008 and continue through October 31, 2009.

Included in the mailing package was a letter from Bowne & Co. indicating their willingness to agree to the one-year extension at the original terms.

Mr. Cipriani moved to approve the second of three allowable one-year extensions to the Authority's financial printing contract with Bowne & Co. Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-12

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the second of three allowable one-year extensions to the Authority's financial printing contract with Bowne & Co. to commence November 1, 2008 and continue through October 31, 2009.

MODIFICATIONS TO THE QUALIFIED BANKERS LIST

Commissioner Howard noted that Dennis Hancock had provided a memo concerning staff recommendations to modify the Authority's Qualified Banker's List with respect to Lebenthal & Co. and UBS. At this point, Commissioner Howard recused herself because a family member worked at UBS. Gus Escher directed the meeting for the remainder of this issue. He asked the Members if there were any questions.

Mr. Lee moved to approve the proposed modifications to the Authority's Qualified Banker's List, as recommended by staff. Mr. Cipriani seconded. With the exclusion of Commissioner Howard, the vote was unanimous and the motion carried.

AB RESOLUTION NO. II-13

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the proposed modifications to the Authority's Qualified Banker's List, as recommended by staff, thereby adding Lebenthal & Co., LLC as placement agent and co-manager, and removing UBS Investment Bank.

AUTHORITY EXPENSES

Commissioner Howard referenced a summary of Authority expenses and invoices. Mr. Escher offered a motion to approve the bills and to authorize their payment; Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-14

WHEREAS, the Authority has reviewed memoranda dated June 19, 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 \$904,590.73, \$98,539.83 and \$45,467.20 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 were distributed to the Members. The Commissioner took this time to welcome everyone in attendance and to express her appreciation for the ability to Chair the meeting. She also thanked Gus Escher for also chairing as needed.

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

1. The typical practice of the Authority is to have staff provide the Members with an "Informational Presentation" between the meeting where the borrower receives approval to use a negotiated sale and the meeting at which a contingent sale is approved. This has been helpful, especially in cases where the project or structure is only loosely defined at the time of the negotiated sale request or where there is a large enough construction project that management's financial projections must be reviewed with the Members. Historically, the Members have been comfortable suspending the "Informational Presentation" when the financing is solely for refunding purposes or the information available at the time of the request for negotiated sale is sufficient to provide the Members with a complete understanding of the proposed financing.

Staff is recommending that for transactions being completed through the Hospital Asset Transformation Program, the need for an Informational Presentation be eliminated. This

recommendation is based on staff's belief that an Informational Presentation is not necessary for Hospital Asset Transformation Program ("HATP") financings, using a contract between the Treasurer and the Authority as security for the bonds, (2) the dissemination of information at the time of the request for a negotiated sale, (3) the likelihood that the financing will be, in large part, refunding of Authority debt, (4) the potential need for quick turnaround because of the difficult financial situations at the borrower facilities, as well as the state financing schedule and (5) the extensive review of the borrower's financial projections by the Treasurer's office. If staff or the Authority Members believe that a particular set of circumstances warrants more information, an additional meeting for an Informational Presentation could be scheduled.

The Commissioner stated that she agreed with the reasons laid out for initiating this practice. Cliff Rones, Deputy Attorney General, recommended that the Authority receive a motion, a second, and a vote to enact this action. Mr. Escher moved to adopt the recommendation set forth by the Executive Director. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. II-15

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves omitting the Informational Presentation portion of the financing process for bonds proposed through the Hospital Asset Transformation Program.

2. The Authority updated its map of New Jersey hospitals. Also, the Authority's 2007 Annual Report is now complete and available. Copies had been placed on the table for the meeting.

3. In hospital news, St. Mary's at Passaic received a \$5 million Bridge Loan from HFG, secured by its Pennington Avenue Campus as well as an extended security interest in accounts receivable. The Bridge Loan is expected to enable St. Mary's to continue operations until it can complete the sale of the Pennington Avenue Campus. St. Mary's continues to field offers for the Pennington Avenue Campus from potential purchasers. Mr. Escher asked who HFG is. Mr. Hopkins replied that HFG is an accounts receivable financing company.

Holy Name Hospital has completed the expansion of its Emergency Department, which was financed by Authority bonds issued in 2006.

The State Health Planning Board is meeting today to consider Muhlenberg Regional Medical Center's request for a Certificate of Need for Closure.

Valley Hospital has received a \$30 million donation from David F. Bolger, a Ridgewood resident and CEO of a real estate and investment firm. Mr. Bolger has said the hospital can use the funds for "whatever Valley says it needs." The donation is reported to be the largest ever to a New Jersey hospital.

4. In Authority News, Account Administrator, Bob Day, is retiring at the end of this month after over 15 years of service. Marji McAvoy, our Accountant who works with our controller, is being promoted to Account Administrator. Taryn Jauss, currently the Administrative Assistant in Operations Division, is being promoted to Accountant. Communications Specialist Stephanie Bilovsky will be taking maternity leave shortly. The Authority has hired Rhonda Robins to temporarily perform Ms. Bilovsky's duties.

Mr. Hopkins noted that he and Steve Fillebrown presented on the Reinhardt Commission Report and participated in a panel discussion at a Health Care Seminar entitled "New Jersey Hospitals - Surviving the Next Ten Years with the Commission's Report" on June 18th.

Commissioner Howard delivered the keynote address at the seminar. The seminar was attended by approximately 65 hospital executives and professionals who advise hospitals.

5. In Legislation, a package of five bills related to the recommendations in the report from the NJ Commission on Rationalizing Health Care Resources have passed both houses of the Legislature and currently await the Governor's signature: (i) the first amends last year's statute requiring training for new hospital trustees to now include all hospital trustees; (ii) the second requires hospitals to hold at least one open public meeting annually for their respective communities; (iii) the third prohibits hospitals from charging uninsured patients more than 15% above the Medicare rate; (iv) the fourth requires the Department of Health and Senior Services to collect monthly financial information from each hospital, provide for monitoring of hospitals failing to meet certain financial benchmarks, which monitoring could progress to intervention in the management of hospitals under certain conditions (it is expected Authority will have a role in coalating financial information and possibly in monitoring hospitals); and (v) the fifth establishes the Hospital Stabilization Fund which is a State grant program to provide hospitals with temporary funding "to ensure continuation of access and availability of necessary health care services to residents in a community served by a hospital facing closure or significantly reducing services due to financial distress." Mr. Escher asked for the final number of that fund to which Commissioner Howard replied \$44,000,000.

The Commissioner of Health and Senior Services, in consultation with the State Treasurer and the Authority, may award a grant to a hospital from the fund if it is determined that, due to extraordinary circumstances, the grant is necessary to maintain access to essential health care services based on several factors enumerated in the statute.

Two other health care related bills are also pending: (i) the first, which has been passed in the Senate, would require the Department of Health and Senior Services to provide written notice to certain federal, State and local officials when an application for a certificate of need is filed for the closure of a hospital; (ii) the second, which is in a Senate committee, would require hospital boards to adopt a written policy governing conflicts of interest.

ADJOURNMENT

As there was no further business to be addressed, Mr. Escher moved to adjourn the meeting, Mr. Lee seconded. The vote was unanimous, and the motion carried at 10:53 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 JUNE 26, 2008.

Dennis Hancock
Assistant Secretary

**SUPPLEMENT TO THE AMENDED AND RESTATED SERIES RESOLUTION
ADOPTED SEPTEMBER 26, 2001 AUTHORIZING THE ISSUANCE OF
NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
REVENUE BONDS (SAINT BARNABAS HEALTH CARE SYSTEM ISSUE) SERIES
2001A IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$50,000,000
AND (SAINT BARNABAS HEALTH CARE SYSTEM ISSUE) SERIES 2001B IN AN
AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$85,000,000**

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 institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey; and

WHEREAS, the Authority duly adopted on October 29, 1992 its General Health Care Facilities Registered Bond Resolution (the “**General Resolution**”); and

WHEREAS, the General Resolution authorizes the issuance by the Authority, from time to time, of its revenue bonds, in one or more series, for the authorized purposes of the Authority; and

WHEREAS, the General Resolution provides that bonds of the Authority shall be issued pursuant to a series resolution; and

WHEREAS, a public hearing in accordance with Section 147(f) of the Code (as hereinafter defined), was, conducted for the issuance of the Series 2001B Bonds (as hereinafter defined) after public notice of such hearing was published in accordance with such Section of the Code; and

WHEREAS, the Authority authorized the issuance of its Revenue Bonds (Saint Barnabas Health Care System Issue) Series 2001A (the “**Series 2001A Bonds**”) and its Revenue Bonds (Saint Barnabas Health Care System Issue), Series 2001B (the “**Series 2001 B Bonds**”) and together with the Series 2001A Bonds, the “**Series 2001 Bonds**”) pursuant to the General Resolution and an Amended and Restated Series Resolution, adopted September 26, 2001 (the “**Original Series Resolution**”);

WHEREAS, the Authority deemed it necessary and in keeping with its purposes to issue the Series 2001 Bonds for the purpose of lending Saint Barnabas Corporation, a nonprofit corporation, duly organized and existing under the laws of the State of New Jersey (the “**Institution**”) and together with any of its successors and assigns and as Obligated Group Representative (the “**Borrower**”), funds that, together with other available moneys, will be sufficient to (i) refund in full previously issued bonds of the Authority, (ii) acquire equipment and other capital budget items to be used by members of the Saint Barnabas Health Care System (the “**System**”), (iii) construct and/or renovate portions of the facilities of the members of the System, (iv) refund outstanding debt an affiliated entity used for capital improvements at its

facilities, (v) acquire fixed and major movable equipment to be used at the System's facilities, (vi) purchase a medical clinic in Long Branch, New Jersey, (vii) finance other capital expenditures of the System (collectively, the "**Series 2001 Project**"), and (viii) pay certain costs incidental to the issuance and sale of the Series 2001 Bonds, including deposits to certain funds created under the General Resolution or Original Series Resolution; and

WHEREAS, the Authority desires, with the consent of the Bond Insurer as required under the General Resolution and the Original Series Resolution, to amend the Original Series Resolution to provide for certain amendments to the remarketing of the Series 2001 B Bonds after a mandatory tender.

NOW, THEREFORE, BE IT RESOLVED by the Authority, as follows:

Definitions and Terms. Unless the context shall otherwise require, and except as provided in this Supplement to the Original Series Resolution, the capitalized words and terms used in this Supplement to the Original Series Resolution shall have the meanings specified in the Original Series Resolution.

Amendments to Original Series Resolution.

(i) Section 13(a) of Appendix 4 of the Original Series Resolution is hereby deleted in its entirety and replaced with the following:

“(a) Remarketing. Upon a mandatory tender (other than a Mandatory Standby Tender) or notice of tender for purchase of Multi-Modal Bonds, the Remarketing Agent shall offer for sale and use its best efforts to sell such Multi-Modal Bonds (including Bank Bonds) on the same date designated for purchases thereof in accordance with Section 5 of this Appendix 4 and, if not remarketed on such date, thereafter until sold, at prices which may constitute discounts or premiums for such Multi-Modal Bonds provided that, in the aggregate, the total purchase price of all remarketed Multi-Modal Bonds, together with other moneys on deposit with the Trustee for the purpose of paying the Tender Price, is not less than the Tender Price for such Bonds. Multi-Modal Bonds subject to a Mandatory Standby Tender shall not be remarketed unless such Multi-Modal Bonds are converted to a Long-Term Interest Rate Period to their Maturity Date or to ARS, unless an Alternate Liquidity Facility is in full force and effect or unless the Liquidity Facility Provider has reinstated the Liquidity Facility with respect to which such Mandatory Standby Tender was declared and such Liquidity Facility is in full force and effect. Multi-Modal Bonds shall not be remarketed to the Authority, the Borrower or any Borrower Affiliate.

Confirmation of Original Series Resolution. The Original Series Resolution and this Supplement to Series Resolution shall be read, taken and construed as one and the same resolution. Except as amended and supplemented hereby, the provisions of the Original Series Resolution shall remain in full force and effect. The amendments and supplements herein shall be of full force and effect only after receipt by the Authority and the Series 2001 Bond Trustee of consent of the Bond Insurer and satisfaction of the conditions set forth in such consent.

Effective Date. This Supplement to Series Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery to the Governor of the State of New Jersey of the minutes of the meeting of the Authority at which this Supplement to Series

Resolution is adopted or at such earlier time as the Governor of the State of New Jersey signs a statement of approval, all in accordance with subsection (i) of Section 4 of the Act.