Minutes of the New Jersey Health Care Facilities Financing Authority Special Meeting held on March 11, 2008 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:
Gus Escher, Public Member (Chairing as Vice Chairman); Ulysses Lee, Public Member (via telephone); Maryann Kralik, Designee of the Commissioner of Banking and Insurance; and Bill Conroy, Designee of the Commissioner of Health and Senior Services.

The following **Authority staff members** were in attendance:
Mark Hopkins, Dennis Hancock, Carole Conover, Bill McLaughlin, Jim Van Wart, Steve Fillebrown; Susan Tonry, Marji McAvoy, Suzanne Walton, and Stephanie Bilovsky.

The following **representatives from State offices and/or the public** were in attendance:
Scott Kobler, McCarter & English; John Kelly, Wilentz Goldman & Spitzer; Irena Kaler, Saint Clare's Health System; Jan Blazewski, Cain Brothers; Jeff Goodwin, Carl Alberto, Warren Hospital; Patricia Leahey, Brian Francz, New Jersey Office of Management & Budget; Randy Nelson, Ernst & Young; Sharon Price-Cates, Governor's Authorities Unit; and, Clifford T. Rones, Deputy Attorney General.

CALL TO ORDER

Mr. Escher called the meeting to order at 10:02 a.m. and announced that this was a special meeting of the Authority. In accordance with the provisions of the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was advertised in *The Star-Ledger* and the *Courier Post* forty-eight hours in advance of the meeting.

PRIVATE PLACEMENT & CONTINGENT BOND SALE
Warren Hospital

Bill McLaughlin introduced Jeffrey Goodwin, President and Chief Executive Officer and Carl Alberto, Vice President and Chief Financial Officer.

He reminded Members that the Hospital had previously sought approval for contingent sales at both the October 2007 and the January 2008 meetings. He stated that at the October meeting, Members were asked to approve the public sale of two series of bonds, one federally tax-exempt and the other federally taxable. After being advised by the underwriter that there was no market for the unrated federally taxable series, a decision was made to alter the deal structure. Mr. McLaughlin provided an overview of the January meeting where Members were asked to approve the public sale of a federally tax-exempt series which would be closed simultaneously with an identified commercial lender. During its diligence process, the commercial lender determined that it was not in their best interest to extend the credit facility to Warren Hospital. The underwriter continued to search for financing opportunities and introduced Allstate

Insurance Company to Warren Hospital. Following a review of hospital-provided information, Allstate indicated an interest in purchasing directly both the tax-exempt and taxable series of Authority bonds.

He stated that Members are therefore now being asked to approve the contingent sale of a private placement of two series of bonds, one federally tax-exempt and the other federally taxable, on behalf of the Warren Hospital Obligated Group.

The proceeds of the Series 2008A bonds will be used: to refund the Authority's Radian-insured Series 1995 bonds; to refund the Authority's Series 2002 Private Placement with Commerce Bank, N.A.; to refinance a term loan with Commerce Bank, N.A.; to reimburse the hospital for capital expenditures; to fund capital expenditures; to fund the Debt Service Reserve for the 2008A bonds; and to pay related costs of issuance associated with the 2008A bonds. The proceeds of the Series 2008B bonds will be use to: refinance certain lines of credit, loans and mortgage loans with Commerce Bank, N.A.; to reimburse the hospital for capital expenditures; to fund the Debt Service Reserve for the 2008B bonds; and to pay related costs of issuance associated with the 2008B bonds.

Mr. McLaughlin noted that the Bond Resolution provides for the specific approval of the use of a private placement form of issuance. There have been no material changes to the financial projections which were presented at the October 2007 meeting.

John Kelly of bond counsel Wilentz, Goldman & Spitzer, P.A., then presented the Bond Resolution pertaining to this transaction.

BOND RESOLUTION

Mr. Kelly stated that the Bond Resolution authorizes the issuance of tax-exempt Series 2008A Bonds in an aggregate principal amount not in excess of $37,000,000 and the issuance of the federally taxable Series 2008B Bonds in an aggregate principal amount not in excess of $12,000,000. The Series 2008A Bonds will bear interest at a fixed rate of 7.25% to maturity. The Series 2008A Bonds will mature on July 1, 2038 and will be subject to redemption prior to maturity as set forth therein, provided, that the redemption price will be no greater than 102%. The Series 2008B Bonds will bear interest at a fixed rate of 10.00% to maturity. The Series 2008B Bonds will mature on July 1, 2018 and will be subject to redemption prior to maturity as set forth therein, provided, that the redemption price would be no greater than 102%.

The Series 2008 Bonds will be secured by payments made by the Warren Hospital Obligated Group under the Loan Agreements, as evidenced and secured by Notes issued pursuant to the provisions of a Master Trust Indenture and applicable Supplemental Indentures and by a Mortgage and Security Agreement on certain property pledged by the Warren Hospital Obligated Group. In addition, certain funds and accounts established pursuant to the Trust Agreement under which the Series 2008 Bonds are to be issued will serve as additional security.

The Bond Resolution approves the form of and authorizes the execution of a Placement Agency Agreement for the Series 2008 Bonds prior to close of business on June 25, 2008. The Bond Resolution also approves the form of the Series 2008 Bonds, Private Placement Memorandum, Trust Agreement and the two Loan Agreements. The Bond Resolution appoints U.S. Bank, National Association as Bond Trustee, Bond Registrar and Paying Agent. 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 Agreements, the completion of the Refunding, financing the Project and the issuance and sale of the Series 2008A and Series 2008B Bonds.

Mr. Escher asked if this issuance would refinance all of Warren Hospital's outstanding debt, to which Mr. Hancock replied that while most of the hospital's debt would be refinanced by this issuance, there would remain an outstanding line of credit.

Mr. Conroy moved to approve the contingent sale, which includes the approval for a private placement, on behalf of Warren Hospital, and moved to forward a copy of the justification in support of a private placement to the State Treasurer; Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-111

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, WARREN HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2008A (FEDERALLY TAX-EXEMPT) AND WARREN HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2008B (FEDERALLY TAXABLE)."

Mr. Goodwin thanked the Authority for working with Warren Hospital to complete this financing and for accommodating their needs by holding this special meeting.

APPROVAL OF A CAPTIVE INSURANCE COMPANY
Saint Clare's Health System

Susan Tonry reported that Saint Clare's Health System is a member of the Marian Health System, a national Catholic healthcare system sponsored by the Sisters of the Sorrowful Mother in northwestern New Jersey with hospitals in Boonton, Denville, Dover and Sussex. Catholic Health Initiatives ("CHI") is a national nonprofit health organization headquartered in Denver that includes 73 hospitals; 42 long-term care, assisted and residential living facilities; and two community health service organizations in 19 states.

Saint Clare's has entered into a Sponsorship and Affiliation Agreement with CHI. The entities have undergone the CHAPA approval process through the Attorney General's office and received approval from Superior Court on March 7, 2008 to move forward with the sponsorship substitution. The change in sponsorship is planned for April 1, 2008.

CHI uses First Initiatives Insurance Ltd. ("FIIL"), a wholly owned captive insurance company domiciled in the Cayman Islands that provides comprehensive insurance for its 73 acute care hospitals and affiliates and intends to include Saint Clare's in this coverage effective April 1st. FIIL has been operating in its current form since 1997 when predecessor trusts and captives joined forces under CHI, which requires all of its hospitals to participate in the captive. CHI maintains a large state sideinsurance operation in Kentucky, which administers the plans, provides claims handling services and purchases commercial insurance coverage to supplement and expand the insurance provided by FIIL. Each hospital, or hospital group in some cases, is assigned a consultant from this Kentucky office to assist the Risk Manager at each hospital location by providing loss control and prevention services, education and claims handling for the hospital.

Saint Clare's requests approval to switch from its existing insurance program to FIIL, effective simultaneously with the change in sponsorship on April 1, 2008. Under this arrangement, Saint Clare's would pay FIIL an annual Guaranteed Cost Premium that will cover both the hospitals contribution to the captive, as well as its contribution towards the purchase of various commercial insurance products. Because the risk is spread among all the CHI entities, the individual hospitals are not required to contribute any additional money during the year when claims arise, similar to participation in existing commercial policies where the premium is the only obligation of the hospital. Participation in this program has the added benefit of first dollar coverage, meaning that the hospital will not need to make deductible payments as they have in the past with regular commercial coverage. In future years, the premiums will be adjusted based on loss experience but increases are capped at a maximum of 15% in one year.

Saint Clare's expects to save $700,000 per year under this captive plan, while receiving the benefit of higher limits and first dollar coverage. The captive will cover the first $8 million of every claim for hospital professional, general and employee practice liability. The captive purchases commercial excess of $150 million from several A-rated providers, as well as property insurance of $1 billion from FM Global for all of its participants, in addition to many other necessary commercial insurance products, such as auto, workers comp, D&O and policies covering crime. The ability to purchase this insurance in bulk creates savings that all the hospitals can enjoy.

Annually, CHI hires Aon to compare the premiums charged by FIIL to what the individual hospitals could purchase in the commercial markets separately. Consistently, the analysis concludes that CHI's program premiums are 30% less than that of commercial insurance competitors.

Ms. Tonry noted that only employed physicians are included in the captive, as is consistent with the Authority policy. Also, an annual audit is prepared by Ernst & Young along with an independent analysis of reserves; FIIL has received an unqualified opinion every year. FIIL uses Towers Perrin as its independent actuary to review the loss history and reserve for estimated losses, using a surplus to reserve ratio among other ratios to determine reasonability.

Existing Loan Agreements for Saint Clare's contain the AM Best rating requirement, and Saint Clare's is not requesting any amendments to the documents at this time.

Mr. Conroy asked for clarification on the difference between self-insurance and a captive, to which Ms. Tonry stated that a captive is more regulated and requires the annual meeting of the board of directors at the domicile location of the captive. Mr. Escher also noted that self-insurance does not involve a separate corporate entity, which also implies less regulation. Ms. Tonry clarified for Mr. Conroy that this captive has been in existence since 1997 and has been providing insurance for CHI's 73 hospitals; therefore, it is not a new captive.

Mr. Conroy moved to approve the resolution allowing Saint Clare's to participate in FIIL, as presented, subject to the sponsorship change taking place; Mr. Escher seconded. Mr. Escher voted yes, Mr. Lee voted yes, Ms. Kralik abstained, and Mr. Conroy voted yes. The motion carried.

AB RESOLUTION NO. HH-112

NOW, THEREFORE, BE IT RESOLVED, that, the Authority approves the use of the proposed captive insurance program on behalf of Saint Clare's Health System; and,

BE IT FURTHER RESOLVED, that, such approval is conditioned upon compliance with the Authority's reporting requirements for captive and/or self-insurance programs, as the requirements are presently incorporated in the Authority's loan agreements, including the obligation to maintain a required rating, as stated in the attached "AMENDMENT TO ALL RESOLUTIONS IN WHICH THE AUTHORITY APPROVES A BORROWER'S REQUEST TO USE A SELF-INSURANCE/CAPTIVE PROGRAM, THUS MANDATING COMPLIANCE WITH NJHCFFA REPORTING REQUIREMENTS".

ADJOURNMENT

As there was no further business to be addressed, Mr. Escher moved to adjourn the meeting, Ms. Kralik seconded. The vote was unanimous, and the motion carried at approximately 10:18 a.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY SPECIAL MEETING HELD ON MARCH 11, 2008.

Dennis Hancock
Assistant Secretary

See ***AB RESOLUTION NO. HH-112***

AMENDMENT TO ALL RESOLUTIONS IN WHICH THE AUTHORITY APPROVES A BORROWER'S REQUEST TO USE A SELF-INSURANCE/CAPTIVE PROGRAM, THUS MANDATING COMPLIANCE WITH NJHCFFA REPORTING REQUIREMENTS
(adopted November 20, 2003)

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1. Pursuant to a resolution adopted November 20, 2003, the Authority has accepted the coverages set forth in the plans of self-insurance (in the form of a self-insurance trust) or captive insurance, as the case may be (the "Accepted Plan") of the entity referred to in the Resolution (the "Borrower"). With respect to the Accepted Plan, the Borrower shall, on an annual basis, provide to the Authority

    a. a certification that (i) a written actuarial evaluation with respect to such self-insurance or captive insurance company programs from a nationally recognized Insurance Consultant; (ii) a report from such Insurance Consultant to the effect that such self-insurance or captive insurance company program shall not disqualify or materially adversely affect the Borrower for reimbursement under Medicare or Medicaid programs or any governmental programs providing similar benefits or establishing rates and charges for health care services; and (iii) evidence that adequate reserves for such programs have been or will be deposited and maintained with an independent corporate trustee in an amount acceptable to the Authority, which shall be at least equal to the amount required by the report referred to in clause (i) above and (iv) a copy of the annual audit of the self-insurance trust or the captive insurance company, as applicable, has been provided to the Insurance Rating Agency within one hundred fifty (150) days of the end of the fiscal year of such self-insurance trust or captive insurance company, respectively;

    b. within nine (9) months of the end of the fiscal year of the self-insurance trust or captive insurance company, as applicable, evidence of receipt of a Qualified Insurance Rating from an Insurance Rating Agency; and

    c. such other additional documents as the Authority may require.
2. In the event that the Borrower is not able to comply with clause (b) above, it will be deemed to be not in compliance with this resolution unless the Borrower, by the commencement of the next succeeding fiscal year of the Borrower, shall have (i) procured insurance as required under its loan documents with the Authority or (ii) provided a Qualified Insurance Rating..
3. As referred to herein,

    a. "Insurance Consultant" shall mean an independent firm of insurance agents, brokers or consultants which is appointed by the Borrower for the purpose of reviewing and recommending insurance coverages for the facilities and operations of the Borrower, and has a favorable reputation for skill and experience in performing such services in respect of facilities and operations of a comparable size and nature; provided that any entity so appointed is not

b. “Insurance Rating Agency” shall mean A.M. Best Company, or its successor, or such other rating service that customarily provides ratings for insurance companies or coverage and is acceptable to the Authority.

c. Qualified Insurance Rating shall mean a rating that is at least “investment grade” or “secure” as defined by A.M. Best Company, or such similar rating as defined by any other Insurance Rating Agency.