

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on February 22, 2007 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); Moshe Cohen, Public Member; Thom Jackson, Public Member (on the telephone); Edward Tetelman, Designee of the Commissioner of Health and Senior Services; and, Eileen Stokley, Designee of the Commissioner of Human Services.

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

Mark Hopkins, Dennis Hancock, Jim Van Wart, Steve Fillebrown, Michael Ittleson, Suzanne Walton, Susan Tonry, Bill McLaughlin, Ron Marmelstein, Lou George, Carole Conover, and Stephanie Bilovsky.

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

Kay Fern, Evergreen Financial; Bob Iannacone, St. Mary's Hospital of Passaic; Dan Davis, Catholic Health East; John Cavaliere of McManimon & Scotland, L.L.C.; John Calandriello, St. Peter's University Hospital; Karen Lump, Atlantic Health System; Paul Dabrowski, Trinitas Hospital; Isabel Miranda, GluckWalrath; Wayne Ziemann, JH Cohn; Ray Perez; Cozen O'Connor; Scott Kobler, McCarter & English; Mike Sheehan, Phil DelVecchio, Merrill Lynch; Aimee Manocchio-Nason, Department of Law; Michael Marcus, Goldman Sachs; Maryann Kicenuik, Windels, Marx, Lane & Mittendorf; Kent Pier, Sovereign Bank; Jack Swire, Kari Fazio, Sakinah Rahman, Wachovia Bank; Danielle Cheung, JPMorgan Chase; Jim Petrino, Treasurer's Office; and, Clifford T. Rones, Deputy Attorney General.

CALL TO ORDER

Mr. Escher called the meeting to order at 10:00 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 25, 2006 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

APPROVAL OF MINUTES

December 15, 2006 Authority Meeting

Mr. Escher noted that minutes for the December 15, 2006 meeting were distributed for approval at the prior Authority meeting. Prior affirmative votes cast by Gus Escher, Maryann Kralik and Freida Phillips carry over. Moshe Cohen and Thom Jackson had yet to vote, and one

more affirmative vote was needed to approve the minutes. At this point, Dr. Cohen and Mr. Jackson both voted yes, and the minutes were thereby approved.

January 25, 2007 Authority Meeting

The minutes for the Authority's January 25, 2007 Authority meeting were distributed for review and approval. Mr. Jackson offered a motion to approve the minutes; Mr. Tetelman seconded. Mr. Escher voted yes; Dr. Cohen voted yes; Mr. Jackson voted yes; Mr. Tetelman voted yes; and Ms. Stokley voted yes. The motion carried and the minutes were approved.

CONTINGENT BOND SALE

St. Mary's Hospital at Passaic

Mark Hopkins began by introducing Bob Iannacone, Executive Vice President and Chief Operating Officer of St. Mary's Hospital of Passaic ("St. Mary's"), Wayne Ziemann, from JH Cohn (financial advisor to St. Mary's), and Ray Perez representing bond counsel Cozen O'Connor.

Mr. Hopkins stated that the Members are being asked to consider the approval of a contingent private placement sale of two series of short-term bonds (the "Interim Bonds") in an aggregate principal amount not to exceed \$50 million. The Interim Bonds are expected to be refunded by long-term bonds backed by a State contract under the Hospital Asset Transformation Program (the "State Contract Bonds") within 60 days of issuance.

One series of the Interim Bonds is expected to be issued as tax-exempt bonds in an amount of approximately \$35.5 million and will bear interest at rates not to exceed the BMA Index plus 200 basis points for the first 60 days, the BMA Index plus 350 basis points for 61 to 90 days, and the BMA Index plus 700 basis points if more than 90 days. The second series of the Interim Bonds is expected to be issued as taxable bonds, in an amount of approximately \$10.5 million and will bear interest at rates not to exceed the 30-day LIBOR Index plus 200 basis points for the first 60 days, the 30-day LIBOR Index plus 350 basis points for 61 to 90 days, and the 30-day LIBOR Index plus 700 basis points if more than 90 days.

Neither series of the Interim Bonds is expected to carry credit enhancement nor are they expected to be rated. Both series of the Interim Bonds are expected to be privately placed with Merrill Lynch.

The proceeds of the Interim Bonds will be used to: (1) finance the acquisition of PBI Regional Medical Center ("PBI") in an amount of \$36.7 million, from which PBI will pay off the approximately \$22 million of PBI's Authority bonds currently outstanding and a \$5 million debtor-in-possession loan; (2) refund approximately \$7.4 million of Authority bonds currently outstanding on behalf of St. Mary's; and (3) pay certain costs of issuing the Interim Bonds.

Mr. Hopkins reported that the Members are also being asked to approve the execution and delivery of a Forward Delivery Agreement, whereby the Authority agrees to issue the State Contract Bonds to refund the Interim Bonds.

In a third piece of business, Members are also being asked to consider the approval of a contingent bond sale of the State Contract Bonds in an aggregate principal amount not to exceed \$50 million to refund the Interim Bonds. One series of the State Contract Bonds is expected to be issued as tax-exempt bonds in an amount of approximately \$30 million and will bear interest at a rate not to exceed 6%. The second series is expected to be issued as taxable bonds, in an amount of approximately \$18 million and will bear interest at a rate not to exceed 7.5%. The

State Contract Bonds are expected to be publicly sold by Merrill Lynch and are expected to carry a fixed rate of interest for up to thirty years. In addition to refunding the Interim Bonds, proceeds of the State Contract Bonds will be used to pay for related costs of issuance, and pay the interest accrued on the Interim Bonds.

Mr. Hopkins added that the Members are also being asked to request the Governor's expedited review and specific approval of the minutes that relate to the St. Mary's financing. Failure to issue the Interim Bonds by February 27th would result in St. Mary's inability to acquire PBI by the bankruptcy court-imposed deadline of February 28, 2007.

Financial advisors for St. Mary's prepared projections regarding operations during the first four years after the acquisition of PBI. These projections and the underlying assumptions were discussed and reviewed with Authority staff, the underwriter, representatives from the Treasurer's office and management from St. Mary's. Mr. Hopkins then turned the floor over to Ray Perez to present further information on the resolutions.

Mr. Perez first addressed the Hospital Revenue Bonds Series Resolution, which would be issued on an interim basis, and which will be used to acquire PBI's assets and to satisfy other outstanding funded indebtedness of Saint Mary's. The Series Resolution authorizes the issuance of Hospital Revenue Bonds (St. Mary's Hospital, Passaic NJ issue) Series 2007A and Series 2007B in an amount not to exceed a total of \$50 million. The 2007B bonds will be federally taxable. The Series Resolution sets forth the terms of the Bonds, namely, a maximum interest rate, a final maturity date and a maximum redemption rate. The Series Resolution also approves the form of the Loan Agreement with St. Mary's and the Bond Placement Agreement with Merrill Lynch.

Mr. Perez then addressed the Hospital Asset Transformation Program Bond Resolution, which authorizes the issuance of State Contract Bonds in an amount not to exceed \$50,000,000. The Bond Resolution approves the issuance of two series of bonds: Series 2007-1 and Series 2007-2, the latter of which will be federally taxable. The proceeds of these bonds will be used to refund the Interim Bonds. The Bond Resolution sets forth the terms of the bonds, namely, a maximum interest rate, a final maturity date and a maximum redemption rate. Also, the Bond Resolution approves the form of: the Forward Delivery Agreement, the Bond Purchase Contract, the Preliminary Official Statement, and other documents.

Mr. Perez added that Bank of New York is identified as Bond Trustee for both sets of bonds.

The Forward Delivery Agreement is an Agreement stating that, at a future date, the Authority will deliver the State Contract Bonds and for Merrill Lynch to purchase. It is subject to the terms of the purchase contract and provides certain conditions for the transaction to go forth. The document states that it is the intent for the Series 2007-1 and Series 2007-2 bonds to be delivered within 60 days of the issuance of the Series 2007A and Series 2007B bonds in order to refund those bonds.

In response to a question from Mr. Tetelman, Mr. Perez explained that the taxable series are necessary since there are some components of the transaction that are not permitted for tax-exempt financing. For example, St. Mary's intends to sell its existing facility at a future date for non-tax-exempt purposes. Also, portions of the financing related to accounts receivable cannot use tax-exempt financing, and there will also be some costs of issuance that surpass the allowable 2% tax-exempt mark, which require taxable financing.

Mr. Escher asked about the interim financing structure, to which Mr. Perez replied that Interim Bonds are necessary to allow St. Mary's to acquire PBI by the bankruptcy court-imposed deadline of February 28, 2007.

Mr. Hopkins added that the Bond Resolution also delegates to the Authority's Executive Director the ability to appoint co-managers for the State Contract Bonds. These appointments will be at the direction of the Treasurer's Office.

Mr. Escher reminded the Members that they are being asked to consider four actions. He asked the Members' pleasure with respect to the adoption of the Series Resolution for the Hospital Revenue Bonds on behalf of St. Mary's. Mr. Tetelman moved that the document be approved. Mr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-85

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Series Resolution entitled, "HOSPITAL REVENUE BONDS, (ST. MARY'S HOSPITAL, PASSAIC, N.J. ISSUE) SERIES 2007A AND SERIES 2007B (FEDERALLY TAXABLE) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$50,000,000."

Mr. Tetelman made a motion to authorize the execution and delivery of the Forward Delivery Agreement substantially in the form presented today with any changes approved by the Executive Director or Deputy Executive Director upon advice of the Attorney General's office; Mr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-86

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby authorizes the Executive Director or the Deputy Executive Director to execute and deliver the Forward Delivery Agreement substantially in the form presented, with such changes approved by the Executive Director or Deputy Executive Director upon advice of the Attorney General's office.

Mr. Escher asked the Members' pleasure with respect to the adoption of the Bond Resolution for the State-backed Hospital Asset Transformation Bonds on behalf of St. Mary's. Mr. Tetelman moved that the Bond Resolution be approved. Dr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-87

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Bond Resolution entitled, "HOSPITAL ASSET TRANSFORMATION PROGRAM BOND RESOLUTION (ST. MARY'S HOSPITAL, PASSAIC, N.J. ISSUE)."

TRANSMITTAL TO THE GOVERNOR

Upon a motion made by Mr. Tetelman, seconded by Dr. Cohen, the Assistant Secretary was authorized, through a unanimous vote, to execute a certified copy of the minutes of this portion of the meeting and forward them to the Governor with a recommendation that he approve all actions taken by the Authority with respect to St. Mary's Hospital in Passaic.

Mr. Escher congratulated St. Mary's on coordinating such a complicated transaction. Mr. Iannacone thanked the Authority and all the consultants that worked on the transaction, stating that it was a phenomenal effort for the benefit of the communities of Passaic and Southern Bergen County. Mr. Tetelman commended the transaction as the first use of the Hospital Asset Transformation Program.

TEFRA HEARING AND CONTINGENT BOND SALE Catholic Health East

Mr. Escher announced that, as required by the Tax Reform Act of 1986, the following portion of the meeting will be considered a public hearing in connection with the Authority's proposed Catholic Health East ("CHE") transaction. Project manager Lou George then introduced Dan Davis, CHE's Director of Capital Management, and stated that CHE requests consideration of a negotiated public offering. The proceeds of the proposed issue will be used to advance refund all or a portion of CHE's New Jersey outstanding indebtedness and pay the related costs of issuance. CHE currently has two bond issues through this Authority and another through the Camden County Improvement Authority.

Mr. George explained that CHE operates health care facilities with an aggregate of over 12,000 beds in eleven states on the east coast. In addition, CHE operates residential facilities for the elderly with approximately 1,800 living units. In New Jersey, CHE operates Our Lady of Lourdes Medical Center in Camden, Lourdes Medical Center of Burlington County in Willingboro, and St. Francis Medical Center in Trenton.

Mr. George indicated that the proposed Bond Indenture allows the bonds to be issued in a multi-modal form that provides for a conversion to various modes under certain conditions. This conversion feature provides flexibility to CHE if market conditions warrant a change. Initially, the bonds would be issued as variable rate index bonds with an interest rate calculated at 67% of 3-month LIBOR plus a spread to be determined at the time of pricing. CHE does not anticipate any change from this mode. The bonds would be uninsured and issued on the rating of the system which is rated "A1" by Moody's, "A" by Standard & Poors and "A+" by Fitch.

Mr. George noted that a recent financial analysis indicated that the refunding would provide \$4.8 million of savings or 4.6% of the refunded bonds. Further, he noted that in keeping with Authority policy, CHE prepared financial projections for the years 2007 through 2009 which had been distributed to the Members prior to the meeting.

BOND RESOLUTION

John Cavaliere of McManimon & Scotland, L.L.C. stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2007 bonds in an aggregate principal amount not in excess of \$160,000,000 and at a variable rate not in excess of 5.5%. The bonds will have a final maturity date of no later than November 15, 2037 and an optional redemption price subject to a "make whole" premium. The bonds will be secured by payments made by the members of the obligated group under a Loan Agreement, as evidenced and secured by a Note issued pursuant to the provisions of a Master Trust Indenture and Supplemental Indenture. The obligated group consists of CHE and all the system affiliates that collectively generate and own a substantial portion of the revenues and assets of the CHE Health System.

Further, the Bond Resolution approves the form of and authorizes the execution of a Bond Purchase Contract with Merrill Lynch, Pierce Fenner & Smith Incorporated prior to close of business on May 23, 2007 and approves the form, terms, and provisions of the Loan

Agreement and Bond Indenture, the form of the Bonds, and the Official Statement. The resolution also authorizes the Authorized Officers to take any action and execute any document or give any consent required under the Bond Resolution, Loan Agreement or the Bond Indenture.

Lastly, the Bond Resolution approves The Bank of New York Trust Company, N.A. of Pittsburgh, Pennsylvania to serve as trustee, authenticating agent, registrar and paying agent.

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

AB RESOLUTION NO. GG-88

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Bond Resolution entitled, "A BOND RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY, HEALTH SYSTEM REVENUE BONDS, CATHOLIC HEALTH EAST ISSUE, SERIES 2007."

Mr. Escher congratulated CHE on the contingent sale approval. Mr. Davis thanked the Authority staff for their help with the transaction and the Members for their cooperation. Mr. Escher then closed the public hearing required by the Tax Reform Act of 1986.

At this point, Mr. Jackson noted that he had to exit the meeting due to a prior engagement. He stated that he would call back in to the Authority meeting if his schedule permitted, though, it should be noted that he was unable to do so.

INFORMATIONAL PRESENTATIONS

A. Atlantic Health System

Mr. George began by introducing Karen Lumpp, the Corporate Director of Special Projects at Atlantic Health System. He then described Atlantic Health System ("AHS") as the parent of AHS Hospital Corp. which operates three divisions commonly referred to as Morristown, Overlook, and Mountainside. AHS entered into a Definitive Agreement to sell the Mountainside facility to Merit Mountainside, LLC of Louisville, Kentucky, and the proposed sale is undergoing various regulatory reviews.

Staff is working on a negotiated public offering, the proceeds of which will be used to: 1) effect a current refunding of a portion of the AHS' Series 1997A bonds, 2) provide funds for capital expenditures, and 3) pay the related costs of issuance. In addition, AHS will provide an equity contribution of approximately \$34 million to cash defease the non-callable portion of the remaining Series 1997 A bonds.

The financing structure will involve one Series of Auction Rate bonds with two lots of approximately \$50 million each. Initially, it is anticipated that the bonds will be issued as 7-day auction rate securities. The payment of principal and interest on the bonds will be insured through a commercial bond insurance policy from Ambac. In addition, AHS plans on entering into a swap agreement for a portion of the bonds (1 lot) that will take effect on the delivery date. Staff expects to request the Authority's approval of a contingent bond sale at the March meeting, further expecting to sell the bonds on or about April 19th.

Mr. George directed the Members' attention to financial and utilization data that supports the strong financial position of AHS. He noted that AHS had \$29 million excess of revenues over expenses in 2005 compared to \$43 million in 2004. For the nine months ended September

30th, AHS had a \$22 million excess of revenues over expenses in 2006 compared to \$14 million in 2005. AHS is in a very good cash position with 165 days of cash on hand as of the end of 2005 compared to a statewide median of 74 days. These financial statistics support AHS' underlying rating of "A2" from Moody's and "A+" from S&P.

Mr. Tetelman asked for an update on the sale of the Mountainside facility. Ms. Lumpf stated that AHS is near 75% through the regulatory process, with all of the Certificate of Need and Charitable Asset Protection Act ("CHAPA") requests for approval having been filed.

B. St. Peter's University Hospital

Suzanne Walton began by introducing John Calandriello, Senior Vice President for Finance at St. Peter's University Hospital ("St. Peter's"). Ms. Walton noted that staff is structuring an estimated \$136 million financing on behalf of St. Peter's, the proceeds of which will be used to: 1) renovate existing public and patient care areas, 2) reimburse the hospital for capital expenditures, 3) refund Authority debt, 5) fund a debt service reserve fund, and 6) pay costs of issuance.

The new money component totaling approximately \$50 million, is being undertaken to modernize an aging facility in order to allow St. Peter's to maintain existing patient volume and grow new services. Targeted areas include: cardiology, emergency care, geriatrics, oncology, pediatrics, perinatal and women's health and surgery, as well as public areas including the main entrance, the lobby, and all elevators. St. Peter's is also seeking reimbursement for approximately \$6 million for prior capital expenditures. In addition, Saint Peter's plans to advance refund their Series 2000A Bonds, defease their Taxable Series 2000C utilizing their own cash and currently refund and restructure their Series F bonds issued in 1993.

Ms. Walton described St. Peter's as a 424-bed major teaching acute care hospital located in New Brunswick that provides a wide array of inpatient and outpatient services. St. Peter's is best known for its maternity and newborn services. The Hospital for Women and Children operates one of the largest maternity services in New Jersey and the country.

St. Peter's is part of a continuum of care that includes (1) a 120-bed skilled nursing facility, the Margaret McLaughlin McCarrick Care Center, (2) an outpatient ambulatory surgery center known as CARES, a joint venture between the Hospital and local community physicians and (3) the New Brunswick Cardiac Cath Lab. The hospital and the nursing home both comprise the Obligated Group, which will provide security for the bonds.

Ms. Walton noted that the financial and utilization information provided to the Members reflects operating losses in 2006. Management attributes the loss to the decline in admissions and patient days and one time charges to operations of approximately \$3.3 million related to a litigation settlement and discontinued operations of its family practice centers. St. Peter's has taken steps to improve operating performance by instituting new programs to improve collections, renegotiating managed care rates, and controlling expenses. In addition, the proposed bond issuance will fund improvements to existing services in an effort to meet the demands of its existing patients and, attract new patients, families and physicians.

St. Peter's inpatient utilization trends have declined. Like many other hospitals in New Jersey, St. Peter's has experienced a decline in admissions over the past three years. A major portion of the admission decline in 2006 is tied to the closure of a 20-bed Transitional Care Unit.

Outpatient trends, however, have been favorable over the past three years. Average length of stay has improved to 3.73 days in year-to-date September numbers from a high of 3.8 days in 2005. While same day surgeries procedures decreased due to a migration of cases to the

outpatient surgery center, emergency visits, clinical visits and other outpatient visits show significant increases over the last few years. St. Peter's is less reliant on Medicaid and Medicare than many other facilities within the state. Over 60% of the Hospital's gross patient service revenue is derived from commercial, managed care and Blue Cross/Blue Shield patients.

With respect to the nursing home, utilization trends have been positive, with occupancy well above statewide medians. During the years 2004 through 2006, occupancy levels averaged 95%, and payor mix indicates that 31% of patient days attributed to private pay while 65% represented Medicaid and Medicare patient days.

Ms. Walton stated that, despite the issuance of debt for new money projects, the proposed capital structure and current market conditions will provide St. Peter's with access to cost effective capital, generate cash flow savings and enhance the hospital's liquidity. St. Peter's is expected to issue traditional fixed rate debt, which will further reduce the risk profile of its capital structure. Over the next month, the hospital is scheduled to make presentations to the rating agencies and, possibly, one insurer.

Mr. Tetelman noted that St. Peter's has the state's lowest length of stay figure. Mr. Calandriello attributed that to the fact that a large portion of the hospital's business is in the areas of pediatric and maternity service, which require less stay. He added, though, that when those areas are removed from the equation, St. Peter's still has a lower than average length of stay of approximately 5.5 days.

Mr. Escher asked for some specifics on the actions taken by St. Peter's to reduce its annual deficit. Mr. Calandriello stated that a large problem is patient volume, which the hospital is addressing by heightening amenities and updating aging plant facilities. For example, rooms in the obstetrics area at St. Peter's have two beds when today's patient prefers a single-bed room. On the expense side, St. Peter's is taking a close look at operations to increase productivity and efficiency, addressing areas such as collections and benchmarking. St. Peter's also hired Cambio Consulting.

C. Trinitas Hospital

Mr. George began by introducing Paul Dabrowski, Senior Vice President and CFO of Trinitas Hospital. Trinitas operates two sites in Elizabeth: a 389-bed acute care hospital and a 120-bed nursing home.

Mr. George stated that the working group is structuring a financing on behalf of Trinitas, the proceeds of which will be used to refinance Series 1997 bonds and Series 2000 bonds that have become available through a tender offer. Any Series 2000 bonds not tendered will be refunded on a taxable basis with the ability to convert the bonds to tax-exempt securities at some future point in time. In addition, proceeds will be used to pay the costs of issuance and fund any required debt service reserve. The working group determined that the transaction would be issued as a public offering, with Goldman Sachs serving as senior managing underwriter and Winston & Strawn serving as underwriter's counsel.

The Series 2007 bonds will be issued in an aggregate amount (both tax-exempt and taxable) of approximately \$150 million. The bonds will be uninsured and sold on the underlying rating of the Trinitas, which is currently "BBB-" from Standard & Poors and "Baa3" from Moody's. Assuming this rating, the advance refunding of the Series 1997 and Series 2000 bonds will result in present value debt service savings of approximately \$11 million or 8.4% of the refunded bonds.

The Series 2007 bonds will be secured by payments made by Trinitas under a Loan Agreement and evidenced by a Note issued pursuant to an existing Master Trust Indenture. The Master Trust Indenture will be secured by a gross receipts pledge and a mortgage on the hospital facilities.

Mr. George reported that Trinitas shows an excess of revenues over expenses for the past two years, with bottom-lines of \$4.7 million in 2004 and \$5.9 million in 2005. As of September 30th, Trinitas' unaudited information reflected a bottom line of \$3.8 million, and from a cash perspective, Trinitas is doing very well with 155 days cash on hand compared to a statewide median of 74 days. Utilization has been fairly flat with inpatient admissions ranging between 14,000 and 15,000. Trinitas' occupancy has been running at approximately 67% for the past two years.

Mr. Tetelman asked about the status of the sale of the Elizabeth General building, to which Mr. Dabrowski stated that Trinitas is under contract with a developer looking to turn the building into condominiums. The developer is currently working on gaining the necessary approvals from the city of Elizabeth, though it is dealing with hurdles regarding capacity and parking. Mr. Dabrowski indicated that the sale is not imminent and negotiations have been going on for roughly a year. However, once the facility is sold, Trinitas will use the funds from the sale to redeem bonds.

Mr. Escher noted that these three presentations were presented for informational purposes only; therefore, no Authority action was required.

NEGOTIATED SALE REQUEST

Solaris Health System

Mark Hopkins reported that Hartwyck at JFK ("Hartwyck"), a New Jersey not-for-profit corporation, signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to construct a new 180-bed long-term care facility, and pay a portion of the costs of issuance related to the bonds. With costs of issuance, Hartwyck is seeking to finance a total of approximately \$25,000,000 through the Authority.

Hartwyck is a subsidiary of Solaris Health System ("Solaris"), a New Jersey not-for-profit corporation. In addition to being the parent of Hartwyck, Solaris is the parent of two acute care hospitals: JFK Medical Center in Edison and Muhlenberg Regional Medical Center in Plainfield. It is also the parent or affiliate of two rehabilitation facilities, an ambulatory surgery center, three long-term care facilities and a hospice.

The construction of Hartwyck is expected to reduce the number of beds at JFK Hartwyck at Edison Estates ("Edison Estates"), a 358-bed long-term care facility and a subsidiary of Solaris. Edison Estates currently exceeds the Department of Health and Senior Services maximum size requirements of 240 beds. Therefore, once Hartwyck is constructed, the long-term care beds at Edison Estates would be reduced to 178.

Mr. Hopkins noted that, as a start-up facility, Hartwyck does not have prior financial information. However, management projects the facility will generate excess revenues over expenses of \$77,000 in the first year of operation. Furthermore, Hartwyck expects to receive mortgage insurance on the bonds from the Federal Housing Administration through Section 232 of the National Housing Act, which could provide the bonds with a "AAA" rating.

Hartwyck asked that the Authority permit the use of a negotiated sale based on: (i) the sale of a complex or poor credit; and (ii) market volatility. Since these reasons justify a

negotiated sale under the Authority's Executive Order #26 policy, staff recommended the consideration of the resolution, included in the meeting materials, approving the use of a negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins added that, in anticipation of the members' approval, and after performing a competitive process, Hartwyck selected Cain Brothers and Company to serve as Senior Managing Underwriter for the bonds. Additionally, Hartwyck researched several law firms from the Authority's qualified list and requested and received the Attorney General's approval to have Windels, Marx, Lane & Mittendorf serve as bond counsel.

Mr. Tetelman moved to approve the pursuit of a negotiated sale on behalf of Solaris; Dr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-89

(attached)

FINANCIAL PRINTING CONTRACT

Assumption by Bowne & Co.

Michael Ittleson reminded the Members that the Authority entered into a two-year contract in September 2005 with St. Ives Financial for the printing of preliminary and final official statements and related documents. The contract runs from November 1, 2005 through October 31, 2007 and allows for three additional one year extensions upon approval of the Authority.

However, on January 16, 2007 St. Ives Financial was acquired by Bowne & Co. Staff asked the Attorney General's Office to review the Authority's contract and the copy of a letter received from St. Ives regarding the acquisition in order to ascertain whether or not the acquisition is permitted under the contract. Deputy Attorney General Cliff Rones indicated that "the assumption of the contract by Bowne is not automatic, but can be authorized by the Authority."

Because the core group of people at St. Ives with whom the Authority has worked remains in place, the same location using the same facilities will continue, and all aspects of the Authority's current contract will be honored (which includes the pricing schedule), staff recommended that the Members authorize the assumption of the contract by Bowne & Co. Dr. Cohen offered this motion to authorize the assumption; Mr. Tetelman seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-90

WHEREAS the Authority's financial printer, St. Ives Financial, has been acquired by Bowne & Co. in January of 2007; and,

WHEREAS the Authority's professional contacts at St. Ives, the location of the printing company, and the specifics of the contract will remain consistent throughout the life of the contract during and after the acquisition;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby authorizes Bowne & Co.'s assumption of the Authority's St. Ives Financial Printing contract.

AUTHORITY EXPENSES

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

AB RESOLUTION NO. GG-91

WHEREAS, the Authority has reviewed memoranda dated February 22, 2007, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of \$811,419.68, \$62,584.23 and \$91,216.79 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. Escher thanked staff for their preparation of reports that were distributed for review, including the Project Development Summary, Cash Flow Statement, and a Legislative Advisory.

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

1. The Certificate of Need and CHAPA requests relating to the St. Mary's transaction have all received final approval, thanks to the diligence of working group members from St. Mary's, PBI, and their respective counsels.
2. Jennifer Velez, Esq. was nominated by Governor Corzine to serve as Commissioner of the Department of Human Services, which makes her an Acting Commissioner and ex-officio Member of the Authority. While she had been previously named to serve as Executive Director for the *Commission on Rationalizing New Jersey's Health Care Resources*, she will now be serving as a Member of the Commission instead. Authority staff has not yet been informed of a replacement for the role of Executive Director to the Commission.
3. The Governor has nominated M. Ulysses Lee, Esq. to serve as an Authority Member. His service in this role requires yet-to-be-received confirmation by the Senate.
4. The Authority will be holding an Audit Committee meeting on Tuesday, March 6, 2007 at 10:00 a.m. to review the draft audit with the auditors.
5. Senior Staff prepared a draft outline of topics to be discussed at an Authority Member retreat. Based on the length of the list of topics, staff believes that the retreat will take approximately two days. By March 1st, Members should provide staff with any other discussion topics that would be helpful, as well as information on their availability for the first week of June so that staff may begin planning the retreat.

6. The *Commission on Rationalizing New Jersey's Health Care Resources* held its first meeting on January 26th in the Authority board room. It will be holding its second meeting here, as well, on February 23rd. The first meeting went very well, thanks in part to the help of the Authority's support staff.

Additionally, Steve and Mark have been providing some support to the Commission and its consultant. As a result, the Authority has also been incurring some administrative costs, e.g. parking, copying, phone, refreshments, etc. While the administrative costs associated with our support of the Commission have not yet caused the Authority to exceed its budget in any area, the Authority may have to slightly increase the budget for certain items shortly. Staff plans to present a request for an appropriate amendment to the budget at the March or April meeting.

Mr. Escher asked for more specifics on the Authority's assistance to the Commission, to which Mark replied that staff has provided administrative support such as hosting a conference call and provided lunch to the consultants for a briefing meeting. Also, while it was not originally planned that the Commission would use the Authority offices for its meetings, it seems that the meetings may be held in the Authority's board room going forward.

EXECUTIVE SESSION

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

AB RESOLUTION NO. GG-92

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public Meetings Act and the Authority's By-Laws, the Authority meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General.

BE IT FURTHER RESOLVED, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

Public session reconvened. In a discussion introduced by Dr. Cohen, the Members shared a concern regarding possible liabilities and/or conflicts of interest, in the event that a borrower under consideration by the Commission approaches the Authority for a financing.

To what kind of information will the Authority have access from this Commission, given Dr. Jacobs' membership on the panel and the active participation of certain staff members? How can/should the Authority respond to this information in its own business dealings? Though it was noted that the Commission does not have the power to close a hospital nor is it likely that the Commission will even name hospitals that should be closed, there remains concern about the flow of information between the Commission and the Authority. Members recommended staff pursue these types of questions with the Commission's counsel, John Jacobs.

As there was no further business to be addressed, Mr. Tetelman moved to adjourn the meeting, Dr. Cohen seconded. The vote was unanimous, and the motion carried at 11:45 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 FEBRUARY 22, 2007.

Dennis Hancock
Assistant Secretary

**EXECUTIVE SESSION
AUTHORITY MEETING**

ATTENDEES: Gus Escher, Public Member (chairing as Vice Chairman); Moshe Cohen, Public Member; Edward Tetelman, Designee of the Commissioner of Health and Senior Services; and, Eileen Stokley, Designee of the Commissioner of Human Services; Mark Hopkins, Dennis Hancock, Jim Van Wart, Steve Fillebrown, Susan Tonry, staff; Jim Petrino, Treasurer's Office; and, Clifford T. Rones, Deputy Attorney General.

CONTRACTUAL MATTERS:

Members discussed distressed credits.

Following this discussion, Mr. Tetelman made a motion, seconded by Ms. Stokley, to exit the session. The vote was unanimous, and the motion carried.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

SERIES RESOLUTION

HOSPITAL REVENUE BONDS,
(ST. MARY’S HOSPITAL, PASSAIC, N.J. ISSUE)
SERIES 2007A AND SERIES 2007B (FEDERALLY TAXABLE)

IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$50,000,000

Adopted: February 22, 2007

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SERIES RESOLUTION
A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY HOSPITAL REVENUE BONDS (ST. MARY'S HOSPITAL, PASSAIC, N.J. ISSUE),

SERIES 2007A AND SERIES 2007B (FEDERALLY TAXABLE)

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 borrowers 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, pursuant to the General Resolution and this series resolution entitled "A Series Resolution Authorizing the Issuance of New Jersey Health Care Facilities Financing Authority Hospital Revenue Bonds (St. Mary's Hospital, Passaic, N.J. Issue), Series, 2007A and Series 2007B (Federally Taxable)", duly adopted on February 22, 2007 (the "**Series Resolution**"), the Authority expects to issue under the General Resolution its Hospital Revenue Bonds, (St. Mary's Hospital, Passaic, N.J. Issue), Series 2007A and its Hospital Revenue Bonds (St. Mary's Hospital, Passaic, N.J. Issue), Series 2007B (Federally Taxable) (the "**Series 2007B Bonds**", and together with the Series 2007A Bonds, the "**Series 2007 Bonds**"), in the original aggregate principal amount of up to \$50,000,000; and

WHEREAS, the Authority deems it necessary and in keeping with its purposes to issue the Series 2007 Bonds herein authorized for the purpose of lending St. Mary's Hospital, Passaic, N.J. , a nonprofit corporation, duly organized and existing under the laws of the State of New Jersey and a health care organization under the Act (the "**Borrower**"), funds that, together with other available moneys, will be sufficient to (i) pay the Costs of the Project (as hereinafter defined), and (ii) pay certain costs incidental to the issuance and sale of the Series 2007 Bonds (the "**Loan**"); and

WHEREAS, the Loan will be evidenced by the Note (as hereinafter defined) issued under and pursuant to the Master Indenture (as hereinafter defined);

WHEREAS, a public hearing in accordance with Section 147(f) of the Code was conducted on January 25, 2007 for the issuance of the Series 2007A Bonds after public notice of such hearing was published in accordance with such Section of the Code; and

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

DEFINITIONS AND AUTHORITY FOR SERIES RESOLUTION

Definitions

As used in this Series Resolution, unless the context otherwise requires, all words and terms that are defined in Section 1.01 of the General Resolution or Section 1.1 of the Loan Agreement shall have the same meaning in this Series Resolution and in the Series 2007 Bonds authorized hereby as are given to such words and terms by Section 1.01 of the General Resolution or Section 1.1 of the Loan Agreement, as the case may be, unless such words or terms are otherwise defined in this Section 1.1.

The following terms shall have the meanings specified in the recitals to this Series Resolution:

Act
Authority
Borrower
General Resolution
Loan
Series 2007 Bonds
Series 2007A Bonds
Series 2007B Bonds

In addition, as used in this Series Resolution, unless the context requires otherwise, the following terms shall have the following meanings:

“**Additional Bonds**” means any of the Authority’s bonds issued pursuant to Section 2.04 of the General Resolution and Section 4.1 hereof.

“**Annual Administrative Fee**” shall mean the annual fee for the general administrative services of the Authority which shall be subject to change at the option of the Authority.

“**Authorized Officer**” means: (i) in the case of the Authority, the Chairman, Vice-Chairman, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, Executive Director or Deputy Executive Director and when used with reference to any act or document also means any other person authorized by the by-laws or any resolution of the Authority to perform such act or execute such document; (ii) in the case of the Borrower, the person or persons authorized by the by-laws or any resolution of the Borrower to perform any act or execute any document; and (iii) in the case of the Trustee, the President, any Vice-President, any Corporate Trust Officer, any Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to the by-laws or any resolution of the governing body of the Trustee.

“**Bond Placement Agreement**” means the Bond Placement Agreement for the Series 2007 Bonds to be executed by the Authority and the Placement Agent, on the date of sale of the Series 2007 Bonds.

“**Bonds**” means the Series 2007A Bonds, the Series 2007B Bonds, together with any Additional Bonds and Refunding Bonds.

“**Bond Year**” means a period of twelve (12) consecutive months beginning on March 1, in any calendar year and ending on the last day of February of the succeeding calendar year; provided that the first Bond Year for a Series of Bonds shall commence on the date of issuance of the Series of Bonds and end on the last day of February next succeeding the date of issuance, and provided further that when used in the context of the Rebate Amount imposed under Section 148(f) of the Code, “Bond Year” shall have the meaning set forth in the regulations under the Code.

“**Certificate**” means a certificate executed by an Authorized Officer of the Authority simultaneously with the execution of the Bond Placement Agreement and which is deemed to be a part of this Series Resolution.

“**Code**” means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

“**Computation Date**” shall mean each date selected by the Borrower to compute the Rebate Amount with respect to the Series 2007A Bonds. The first Computation Date for the Series 2007A Bonds may not be later than five (5) years after the date of issuance of the Series 2007A Bonds. Each subsequent Computation Date for the Series 2007A Bonds must be not later than five (5) years after the previous Computation Date for the Series 2007A Bonds. The final Computation Date for the Series 2007A Bonds is the date the Series 2007A Bonds are discharged.

“**Costs of Issuance Fund**” means the fund so designated, established pursuant to Section 3.1 hereof.

“**Costs of the Project**” means the sum total of all or any part of costs incurred by the Borrower relating to the Project.

“**Debt Service Fund**” means the fund so designated, established pursuant to Section 3.1 hereof.

“**Debt Service Requirements**” means with reference to a specified period:

- (a) the amounts payable with respect to principal of any and all Bonds issued under the Resolutions (including scheduled mandatory redemptions of principal and the interest on such Bonds); and
- (b) with respect to any other Long Term Indebtedness (1) interest accruing on such Long Term Indebtedness during the period, (2) amounts required to be paid during the period with respect to the principal or sinking fund requirements on such Long Term Indebtedness and (3) all lease rental payments on Long Term Indebtedness which evidence the acquisition of capital assets.

“**Financial Consultant**” means a financial consultant approved by an Authorized Officer of the Authority.

“**Fiscal Year**” means the fiscal year of the Borrower, which shall initially be each twelve month period ending December 31.

“**Holder**” means Merrill Lynch, Pierce, Fenner & Smith Incorporated or its successors and assigns.

“**Hospital Asset Transformation Program Resolution**” means the Hospital Asset Transformation Program Bond Resolution (St. Mary’s Hospital, Passaic, N.J. Issue) adopted by the Authority on February 22, 2007, as amended and supplemented.

“**Indebtedness**” means any obligation of a Borrower for the payment of money to any Person other than a Borrower, including without limitation (i) indebtedness for money borrowed, (ii) purchase money obligations (iii) leases evidencing the acquisition of capital assets, (iv) reimbursement obligations provided, however, that reimbursement obligations supporting credit or liquidity facilities shall not constitute Indebtedness until such time as a reimbursement payment becomes due and payable under the agreement entered into in connection with such reimbursement obligations, and (v) guarantees of any such obligation of a third party, but excluding (a) obligations under contracts for supplies, services and pensions allocable to current operating expenses during the current or future Fiscal Years in which the supplies are to be delivered, the services rendered or the pensions paid and (b)

rentals payable in the current or future Fiscal Years under leases not intended to evidence the acquisitions of capital assets.

“**Interest Account**” means the account within the Debt Service Fund so designated, established pursuant to Section 3.1 hereof.

“**Interest Payment Date**” has the meaning ascribed to such term in Section 2.2(c) hereof.

“**Letter of Representation**” means the Letter of Representation dated the date of sale of the Series 2007 Bonds, executed by the Borrower.

“**Loan Agreement**” means the Loan Agreement to be dated as of February 1, 2007 (or such other later date as may be acceptable to the Executive Director of the Authority) relating to the Series 2007 Bonds by and between the Authority and the Borrower, as the same may be amended and supplemented from time to time.

“**Long Term Indebtedness**” means all Indebtedness of the Borrower other than Short-Term Indebtedness.

“**Master Indenture**” means the Master Indenture dated as of February 1, 2007, by and between the Borrower and the Master Trustee, as supplemented by the First Supplemental Indenture dated as of February 1, 2007 and as may be further supplemented or amended from time to time.

“**Master Indenture Obligation**” means any Master Note or Master Guaranty (each as defined in the Master Indenture) issued pursuant to the Master Indenture.

“**Master Trustee**” means The Bank of New York, and any successors thereto in accordance with the Master Indenture.

“**Mortgage**” means Mortgage and Security Agreements, each dated as of February 1, 2007, by and between the Borrower and the Master Trustee issued pursuant to the Master Indenture.

“**Mortgaged Property**” has the meaning given to such term in the Mortgage.

“**Note**” means the promissory note issued pursuant to the Master Indenture evidencing the Borrower’s obligation arising pursuant to the Loan Agreement.

“**Penalty Amount**” shall mean with respect to the Series 2007A Bonds, the penalty amounts (in lieu of rebate) with respect to available construction proceeds of the Series 2007A Bonds, if elected by an Authorized Officer of the Authority for the Series 2007A Bonds under Section 148(f)(4)(C)(vii) of the Code.

“**Placement Agent**” means Merrill Lynch, Pierce, Fenner & Smith Incorporated.

“**Principal Account**” means the account within the Debt Service Fund so designated, established pursuant to Section 3.1 hereof.

“**Project**” means funding the costs of the following:

(a) The acquisition of certain of the assets of Beth Israel Hospital Association of Passaic d/b/a PBI Regional Medical Center and d/b/a Passaic Beth Israel Regional Medical Center (“PBI”) consisting generally of the 264-bed acute care hospital and related facilities (the “PBI Facilities”) currently owned by PBI and related assets including furniture and equipment, intellectual property, contracts, leases, accounts receivable, deposits, documents, permits, certain rights and licenses, goodwill and other intangible assets and all other assets material to the operation of such acute care hospital and related facilities; and

(b) Defeasance or refunding of the Authority’s \$9,800,000 Revenue Bonds (Variable Rate Composite Program – St. Mary’s Hospital, Passaic, New Jersey Project) Series 1999 A-4 which financed the renovation of patient care areas in the 200-bed acute care hospital currently owned by SMH, required equipment for such areas and costs of issuance of such bonds.

“**Project Fund**” means the fund so designated, established pursuant to Section 3.1 hereof.

“**Rating Agency**” shall mean either of or collectively Fitch Investors Service, Inc. (“Fitch”), Moody’s Investors Service, Inc. (“Moody’s”) or Standard and Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”).

“**Rebate Amount**” shall have the meaning, with respect to the Series 2007A Bonds, set forth in Treasury Regulation Section 1.148-3(b).

“**Rebate Fund**” means the fund so designated, established pursuant to Section 3.1 hereof.

“**Rebate Requirement**” means the amount calculated in accordance with the Code for deposit in the Rebate Fund.

“**Redemption Fund**” means the fund so designated, established pursuant to Section 3.1 hereof.

“**Redemption Price**” means the principal amount of each Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution and the Series 2007 Certificate.

“**Refunding Bonds**” shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Section 2.03 of the General Resolution.

“**Resolutions**” means collectively, the General Resolution and this Series Resolution.

“**Series Resolution**” means this Series Resolution authorizing the Series 2007 Bonds.

“**Series 2007 Bonds**” means the Series 2007A Bonds and the Series 2007B Bonds.

“**Series 2007A Bonds**” means the bonds designated New Jersey Health Care Facilities Financing Authority Revenue Bonds, St. Mary’s Hospital, Passaic, N.J. Issue, Series 2007A, authorized to be issued pursuant to the General Resolution and this Series Resolution in the aggregate principal amount described in Section 2.2(a) hereof.

“**Series 2007B Bonds**” means the bonds designated New Jersey Health Care Facilities Financing Authority Revenue Bonds, St. Mary’s Hospital, Passaic, N.J. Issue, Series 2007B (Federally Taxable), authorized to be issued pursuant to the General Resolution and this Series Resolution in the aggregate principal amount described in Section 2.2(a) hereof.

“**Series 2007 A Project Account**” means the accounts within the Project Fund so designated, established pursuant to Section 3.1 hereof.

“**Series 2007 B Project Account**” means the accounts within the Project Fund so designated, established pursuant to Section 3.1 hereof.

“**Series 2007 State Contract Bonds**” means an amount of up to \$50,000,000, of aggregate principal amount of the Authority’s State Contract Bonds (Hospital Asset Transformation Program - St. Mary’s Hospital, Passaic, N.J. Issue), Series 2007-1 and 2007-2 (Federally Taxable) issued under the Hospital Asset Transformation Program Bond Resolution.

“**Short-Term Indebtedness**” shall mean (a) any obligation for the repayment of moneys borrowed from a Person other than a Borrower which matures not later than 365 consecutive days after it is incurred and (b) any obligation for the repayment of borrowed moneys which is payable upon demand within such period at the option of the holder, unless it is incurred as Long Term Indebtedness pursuant to the Resolutions and included in calculations of Debt Service Requirements pursuant to the Resolutions.

“**Trustee**” means The Bank of New York, appointed as trustee, bond registrar and paying agent for the Series 2007 Bonds pursuant to Section 5.1 hereof, and its successors in trust.

Authority for the Series Resolution.

This Series Resolution is adopted pursuant to and in accordance with the provisions of the Act and Sections 2.02 and Article IX of the General Resolution and Section 4.01 hereof. As part of and in furtherance of the pledge and security interest granted in Section 1.02 of the General Resolution, the Authority, as security for the payment of the Series 2007 and any Additional Bonds and the interest thereon, and as security for the performance of any other obligation of the Authority under the General Resolution, the Series Resolution and this Series Resolution does hereby grant, bargain, sell, convey, pledge, assign and confirm to the Trustee, all of its right, title and interest in and to: (i) the Loan Agreement and the Note and all amounts payable thereunder (including the Revenues and excepting only the Authority’s right to receive the Annual Administrative Fee and its right to give certain consents and approvals, to receive notices and to indemnification thereunder); and (ii) all funds and accounts established hereunder (except the Rebate Fund) and the income and receipts earned thereon.

**AUTHORIZATION OF THE PROJECT AND SERIES 2007 BONDS;
AND DETAILS OF SERIES 2007 BONDS**

Purpose of the Series 2007 Bonds.

The Authority hereby declares the Project to be an authorized undertaking of the Authority and authorizes and directs an Authorized Officer to execute and deliver all documents necessary to enable the Authority, as permitted by the Act, to lend the Borrower sufficient funds to (a) finance the Costs of the Project; and (b) pay certain costs incidental to the issuance and sale of the Series 2007 Bonds, including deposits to certain funds created under the General Resolution or hereunder.

Authorization of Series 2007A Bonds.

The Authority hereby authorizes the issuance of the Series 2007 Bonds, the aggregate principal amount of which shall yield proceeds to the Authority, exclusive of any original issue discount, of at least the amount necessary to accomplish the purposes for which the Series 2007 Bonds are issued, but not in excess of \$50,000,000 in order to make the Loan to the Borrower, the proceeds of which, together with other moneys of the Borrower, if any, are to be used for the purposes described in Section 2.1 hereof.

Any Authorized Officer of the Authority is hereby authorized to execute and deliver on behalf of the Authority the Bond Placement Agreement with the Placement Agent in substantially the form presented to the meeting at which this Series Resolution is adopted (with such appropriate insertions and changes as Counsel may advise and the Authorized Officer executing the same may approve, such approval to be evidenced by such Authorized Officer’s execution thereof) for the purchase of the Series 2007 Bonds at the price or prices to be agreed upon for the Series 2007 Bonds, such Bond Placement Agreement to be executed prior to the close of business on

February 24, 2007 provided that such price shall reflect a Placement Agent's commitment fee (including counsel fees) not in excess of \$2.00 per \$1,000.00 of Series 2007 Bonds; and provided further that said Authorized Officer shall not be required to execute and deliver the Bond Placement Agreement unless the Placement Agent, the Treasurer and the Authority has received a privity letter or letters from the Borrower's auditor regarding (i) the audited financial statements of the Borrower for the Fiscal Year ended December 31, 2005, and (ii) the Compilation Forecast prepared by J.H. Cohn LLC to be dated February 27, 2007, each in form and substance satisfactory to said Authorized Officer. A copy of the Bond Placement Agreement as executed shall be filed with the records of the Authority. In connection with the execution of the Bond Placement Agreement, any Authorized Officer of the Authority is hereby authorized to accept on behalf of the Authority the Letter of Representation from the Borrower in substantially the form presented to the meeting at which this Series Resolution is adopted as an exhibit to the Bond Placement Agreement such acceptance of the Letter of Representation to be evidenced by such Authorized Officer's execution of such Letter of Representation simultaneously with the execution and delivery of the Bond Placement Agreement.

The Series 2007 Bonds shall be issued in fully registered form in denominations of \$100,000 or integral multiple of \$5,000 in excess thereof, registerable at the designated office of the Bond Registrar and shall be numbered with such identifying prefixes and suffixes as the Bond Registrar may determine. The Series 2007 Bonds shall be dated and bear interest from their date of delivery, as set forth in the Certificate. The Series 2007 Bonds shall mature on April 27, 2007; provided, however, that the final maturity of the Series 2007 Bonds may be extended by thirty (30) days with the consent of the Authority and the Placement Agent (the "Maturity Date"). The Series 2007 Bonds shall bear interest at (i) with respect to the Series 2007A Bonds, a rate equal to the Bond Market Association (BMA) Index plus 2.00%; and (ii) with respect to the Series 2007B Bonds, a rate equal to 30-day London Inter-Bank Offer Rate (LIBOR) plus 2.00%. Principal and interest on the Series 2007 Bonds shall be paid to the Holder upon the earlier of (x) the Maturity Date; or (y) issuance of the Series 2007 State Contract Bonds (the "Interest Payment Date"). The Redemption Price on the Series 2007 Bonds shall not exceed one hundred percent (100%).

Redemption of the Series 2007 Bonds.

The Executive Director of the Authority is hereby authorized to cause, as shall be evidenced by the Certificate, the Series 2007 Bonds to be subject to any combination of, or all of, the following redemption provisions:

Optional Redemption. The Series 2007 Bonds shall be subject to optional redemption on or after March 29, 2007, as a whole or in part at any time (provided, however, that any such optional redemption on a date other than an Interest Payment Date shall be in an amount greater than or equal to \$100,000.00), upon five (5) days prior written notice to the Holder, at the Redemption Price plus accrued interest to the redemption date, at the option of an Authorized Officer of the Authority, upon the written direction of the Borrower, as shall be set forth in the Certificate, from amounts on deposit in the Redemption Fund established under the Resolutions. The Series 2007 Bonds or portions thereof to be redeemed shall be selected by the Trustee in such order of maturity as the Authority shall direct (upon the written direction of the Borrower) and within a maturity by lot or in any other customary manner of selection as determined by the Trustee.

Sinking Fund Redemption. The Series 2007 Bonds are not subject to sinking fund redemption prior to maturity.

Extraordinary Redemption. The Series 2007 Bonds are subject to redemption prior to maturity (as set forth in the Master Indenture), as a whole or in part at any time from and to the extent of any insurance proceeds or condemnation awards that are received in respect of any damage to or destruction or taking under the power of eminent domain of all or any part of the Mortgaged Property of the Borrower and which insurance proceeds or condemnation awards are not applied toward the replacement, restoration or repair of such property. Any such redemption shall be made at a Redemption Price of one hundred percent (100%) of the principal amount to be redeemed, plus accrued interest to the redemption date. The Series 2007 Bonds or portions thereof to be redeemed shall be selected by the Trustee in such order of maturity as the Authority (upon the written direction of the Borrower) shall direct and within a maturity by lot or in any other customary manner of selection as determined by the Trustee.

Extraordinary Mandatory Redemption. The Series 2007 Bonds are subject to extraordinary mandatory redemption prior to maturity (as set forth in the Master Indenture), as a whole, upon the issuance of the Series 2007 State Contract Bonds. Any such redemption shall be made at a Redemption Price of one hundred percent (100%) of the principal amount to be redeemed, plus accrued interest to the redemption date.

Notice of Redemption. Redemption of any of the Series 2007 Bonds shall otherwise be effected in accordance with Article III of the General Resolution. In addition to the provisions of Section 3.03 of the General Resolution, the Trustee is hereby authorized to provide such additional notices as an Authorized Officer of the Authority may direct.

Form of Series 2007 Bond.

The Series 2007 Bonds shall be in substantially the form set forth in Section 2.10 of the General Resolution, with such insertions, omissions or variations as may be necessary or appropriate, including the redemption provisions set forth in the Certificate.

Execution and Authentication.

The Series 2007 Bonds shall be executed in accordance with Section 2.06 of the General Resolution and shall be authenticated in accordance with Section 2.07 of the General Resolution.

Delivery of Series 2007 Bonds.

Following execution of the Series 2007 Bonds, any Authorized Officer of the Authority is hereby authorized to deliver the Series 2007 Bonds to the Trustee for authentication and, after authentication in accordance with Section 2.07 of the General Resolution, to deliver the Series 2007 Bonds to the Placement Agent or its agent against receipt of the purchase price or unpaid balance thereof.

Reserved.

Approval of Loan Agreement.

The form of the Loan Agreement and the assignment of the Loan Agreement presented to the meeting at which this Series Resolution is adopted (copies of which shall be filed with the records of the Authority), and the rights to receive payment thereunder and under the Note to the Trustee are hereby approved. Any Authorized Officer of the Authority is hereby authorized to execute, acknowledge and deliver, and any other Authorized Officer of the Authority is hereby authorized to affix and attest the seal of the Authority to the Loan Agreement and the assignment in substantially such forms, with such changes therein and any supplements thereto as Counsel may advise and the Authorized Officer executing the same may approve, such approval to be evidenced by such Authorized Officer's execution thereof.

Approval of Bond Placement Agreement.

The form of Bond Placement Agreement presented to the meeting at which this Series Resolution is adopted (a copy of which shall be filed with the records of the Authority) is hereby approved and any Authorized Officer of the Authority is hereby authorized to execute and deliver, and any other Authorized Officer of the Authority is hereby authorized to affix and attest the seal of the Authority to a Bond Placement Agreement in substantially such form, with such insertions and changes therein as Counsel may advise and the Authorized Officer executing the same may approve, such approval to be evidenced by the execution thereof.

**ESTABLISHMENT OF FUNDS; APPLICATION OF SERIES 2007A BOND PROCEEDS
AND OTHER MONEYS**

Establishment of Funds.

The following funds and separate accounts within funds shall be established, held, maintained and applied by the Trustee in accordance with Article V of the General Resolution and this Series Resolution; provided that the Trustee shall not be required to establish any such fund or account or maintain records therefor until the first date moneys are required to be deposited therein pursuant to the Resolutions:

For the Series 2007 Bonds:

- Costs of Issuance Fund;
- Debt Service Fund;
 - Interest Account;
 - Principal Account.
- Project Fund;
 - Series 2007 A Project Account
 - Series 2007 B Project Account
- Debt Service Reserve Fund;
- Rebate Fund; and
- Redemption Fund.

All of the foregoing funds, except the Rebate Fund, are specifically pledged as security for the Bonds, are to be held by the Trustee in trust for the sole benefit of the Bondholders, and are not subject to attachment or any other lien by any other creditor in the event of bankruptcy, nor shall these funds be used for general operations of the Borrower in the event of bankruptcy.

Application of Proceeds of Series 2007 Bonds and Other Moneys.

The proceeds of the Series 2007 Bonds, including any accrued interest thereon, shall be applied to making the deposits into the funds as described below, provided that the origin of moneys as provided below, may be changed or supplemented by direction of an Authorized Officer of the Authority delivered to the Trustee at the

closing for the Series 2007 Bonds, as long as the requirements of such funds, as provided hereunder, are fully met at the closing for the Series 2007 Bonds:

(A) from the proceeds of the Series 2007A Bonds, the amount set forth in a certificate signed by an Authorized Officer of the Authority and dated the date of original issuance and delivery of the Series 2007A Bonds shall be deposited in the Costs of Issuance Fund; and

(B) from the proceeds of the Series 2007B Bonds, the amount set forth in a certificate signed by an Authorized Officer of the Authority and dated the date of original issuance and delivery of the Series 2007B Bonds shall be deposited in the Costs of Issuance Fund;

(A) from the proceeds of the Series 2007A Bonds, the amount set forth in a certificate signed by an Authorized Officer of the Authority and dated the date of original issuance and delivery of the Series 2007A Bonds shall be deposited in the Series 2007A Project Account of the Project Fund; and

(B) from the proceeds of the Series 2007B Bonds, the amount set forth in a certificate signed by an Authorized Officer of the Authority and dated the date of original issuance and delivery of the Series 2007B Bonds shall be deposited in the Series 2007B Project Account of the Project Fund;

Reserved.

Application of Moneys in the Costs of Issuance Fund, the Project Fund and Debt Service Fund.

Moneys deposited in the Costs of Issuance Fund shall be applied to the payment of Costs of Issuance of the Series 2007 Bonds; provided, however, that moneys in the Costs of Issuance Fund represented by proceeds of the Series 2007A Bonds that are applied to pay expenses described in Section 147(g) of the Code shall be deposited in the Bond Proceeds Account and shall not exceed two percent (2%) of the proceeds of the Series 2007A Bonds. Moneys in the Costs of Issuance Fund shall be used to pay such expenses in the same manner as provided in Section 5.03 of the General Resolution for payments from the Construction Fund. Any balance remaining in the Costs of Issuance Fund after three (3) months following the date of issuance of the Series 2007 Bonds and not needed to pay Costs of Issuance of the Series 2007 Bonds shall be transferred to the Principal Account in the Debt Service Fund and credited against amounts owing thereto. Notwithstanding any provision in the General Resolution to the contrary, interest earnings on amounts on deposit in the Costs of Issuance Fund shall be retained therein.

Moneys deposited in the Project Fund shall be applied to the payment of the Costs of the Project, in the manner set forth in the General Resolution. Upon completion of the Project and delivery to the Authority of a certificate signed by an Authorized Officer of the Borrower pursuant to Section 5.03 of the General Resolution, the balance of the moneys remaining in the Project Fund and not needed for the foregoing purposes shall be transferred to the Principal Account or Interest Account by the Trustee, as determined by an Authorized Officer of the Authority, upon the direction of the Borrower for application to payment of the maturing interest or principal on the Series 2007 Bonds.

The provisions of subparagraphs (a) and (b) of this Section 3.4 shall be in lieu of Section 5.03(g) of the General Resolution with respect to the Series 2007 Bonds only.

Moneys deposited in the Debt Service Fund shall be applied as set forth in the General Resolution.

Allocation of Revenues.

The Trustee shall determine and shall notify the Borrower on the Maturity Date of the amounts due and payable under the Loan Agreement as evidenced by the Note. A copy of each such notice sent by the Trustee to the Borrower shall be sent to the Authority.

All Revenues received by the Trustee pursuant to the Loan Agreement shall be promptly deposited as follows and in the following order of priority:

FIRST: to the Interest Account, and then

SECOND: to the Principal Account.

Rebate Fund, Rebate Computation: Payment of Rebate.

The Rebate Fund established pursuant to Section 3.1 shall constitute a special trust fund to be held by the Trustee, which Fund shall be used for the purpose of paying to the United States of America the amount required to be rebated with respect to the Bonds pursuant to Section 148(f) of the Code, which Rebate Fund shall be held by the Trustee separate and apart from all other Funds and Accounts established under the Resolutions and from all other moneys of the Trustee. The Rebate Fund shall be maintained until the later of (i) the date sixty (60) days after the retirement of the Bonds issued under the Resolutions, or (ii) the date the Trustee is informed by an Authorized Officer of the Authority that 100% of the aggregate amount required to be rebated to the United States of America has been paid. All amounts in the Rebate Fund, including income earned from investment of amounts in the Rebate Fund, shall be held by the Trustee free and clear of the lien of the Resolutions.

The Trustee shall maintain records of the investment of all Funds and Accounts under the Resolutions. Such records shall specify the account, subaccount or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each investment, (i) the purchase price of the investment, including accrued interest, (ii) identifying information including the par amount, coupon rate and payment dates, (iii) the amount received at maturity or sale price, including accrued interest, (iv) the amounts and dates of any payments made with respect to the investment, and (v) the date of acquisition and disposition or maturity.

The Authority agrees to prepare and file (or engage a Rebate Consultant to prepare and file) with the Trustee a report setting forth the amount required to be rebated to the United States determined in accordance with, and at the times required by the tax compliance certificate delivered by the Authority in connection with the issuance of the Bonds (the "Tax Compliance Certificate"). The Authority shall deposit amounts in the Rebate Fund sufficient to satisfy such requirements in accordance with the Tax Compliance Certificate, but only to the extent of moneys pledged hereunder for that purpose.

Notwithstanding anything to the contrary contained in the Resolutions, an Authorized Officer of the Authority shall direct the Trustee to withdraw from the Rebate Fund or any other Fund or Account under the Resolutions and pay over to the United States of America the amount required to be rebated with respect to the Bonds pursuant to Section 148(f) of the Code at the times and in the amounts specified in the Tax Compliance Certificate. Each payment to the United States of America shall be sent to the location described in the Tax Compliance Certificate and shall be accompanied by any information required by the Tax Compliance Certificate.

The Trustee shall retain records of the determinations of the amounts required to be deposited in the Rebate Fund, the proceeds of any investment of moneys in the Rebate Fund, and of the amounts paid to the United States of America with respect to the Bonds, until the date six (6) years after such Bonds have been retired.

The provisions of this Section 3.6 are intended to comply with Section 148 of the Code and if, as a result of a change in such Section of the Code or the Treasury Regulations thereunder, a change in this Section 3.6 shall be necessary, then an Authorized Officer of the Authority shall be empowered to amend this Section 3.6, without the consent of the Bondholders or the Trustee, to the extent permitted, necessary or desirable to comply with the provisions of Section 148 of the Code; provided, however, that an Authorized Officer of the Authority or Trustee shall require, prior to the effectiveness of any such amendment, an Opinion of Bond Counsel to the effect that either (i) such amendment is required to maintain the exclusion from gross income under Section 103 of the Code of interest paid or payable on the Bonds, or (ii) such amendment shall not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid or payable on any Bonds.

The Trustee shall have no responsibility for the computation of amounts required to be rebated to the United States of America or the verification of amounts required to be rebated to the United States of America calculated by or on behalf of the Authority.

The Trustee shall have no further obligation for the preparation of the rebate calculation or the filing or payment thereof.

In connection with its responsibilities set forth in this Section 3.6, an Authorized Officer of the Authority may engage a Rebate Consultant to assist the Authority in connection with the calculation of any amounts due to the Internal Revenue Service hereunder. Any costs incurred by the Authority with respect to the performance of its obligations under this Section 3.6 shall constitute an Administrative Expense payable by the Borrower.

The provisions of this Section 3.6 and Section 5.13 of the General Resolution are intended to comply with Section 148 of the Code or the tax regulations thereunder, and, if as a result of a change in such section of the Code or the tax regulations thereunder or in the interpretation thereof, a change in this Section 3.6 and Section 5.13 of the General Resolution shall be permitted or necessary to assure continued compliance with Section 148 of the Code and the regulations thereunder, then the Authority shall be empowered to amend this Section 3.6, Section 5.13 of the General Resolution and any corresponding sections of the Loan Agreement without the consent of the Bondholders, to the extent permitted, necessary or desirable to comply with the provisions of Section 148 of the Code; provided however, that the Authority or Trustee shall require, prior to the effectiveness of any such amendment, an opinion of Bond Counsel, at the sole cost and expense of the Borrower, to the effect that either (i) such amendment is required to maintain the tax-exempt status or (ii) such amendment shall not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid or payable on the Series 2007A Bonds.

Notwithstanding anything to the contrary contained in Section 12.01 of the General Resolution, the obligation of the Authority, the Trustee and the Borrower under this Section 3.6 and under Section 3.7 of the Loan Agreement shall survive any payment of the Series 2007A Bonds and discharge and release of the Resolutions effected pursuant to Section 12.01 of the General Resolution.

The Trustee shall maintain records of the investment of all funds and accounts under the Resolutions. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each investment, (i) the purchase price of the investment, including accrued interest, (ii) identifying information including the par amount, coupon rate and payment dates, (iii) the amount received at maturity or sale price, including accrued interest, (iv) the amounts and dates of any payments made with respect to the investment, and (v) the dates of acquisition and disposition or maturity.

ADDITIONAL BONDS

Additional Bond Provisions.

In addition to the other provisions and requirements of Section 2.04 of the General Resolution, no series of Additional Bonds secured by an equal charge and lien on and payable from the Revenues (as defined in the General Resolution) shall be issued by the Authority without the written consent of the Holder and the Treasurer of the State of New Jersey and unless the Borrower has entered into an additional Applicable Security Agreement or a supplement to the then existing Applicable Security Agreement in which it agrees that such Additional Bonds will be secured by an Obligation (as defined in the Master Indenture), which is secured on a parity basis with other Indebtedness issued in accordance with the Master Indenture.

TRUSTEE, BOND REGISTRAR AND PAYING AGENT

Trustee, Bond Registrar and Paying Agent.

The Bank of New York is hereby appointed Trustee, Bond Registrar and Paying Agent for the holders of the Series 2007 Bonds. The Trustee, Bond Registrar and Paying Agent shall signify its acceptance of the trust and its duties under the Resolutions by a written notice delivered to the Authority prior to delivery of the Series 2007 Bonds. In addition to the requirements set forth in Section 7.01(k) of the General Resolution, the Authority shall not remove the Trustee, Bond Registrar or Paying Agent if any Event of Default under the Resolutions has occurred and is continuing; however, the Authority may appoint a successor Trustee, Bond Registrar or Paying Agent although an Event of Default under the Resolutions or the Loan Agreement has occurred and is continuing, if the Trustee, Bond Registrar or Paying Agent, respectively, shall cease to exist. The Trustee may resign as provided in Section 7.01(j) of the General Resolution. The Trustee, Bond Registrar or Paying Agent may engage in or be interested in other transactions with the Borrower including the holding of accounts for the Borrower, the making of loans to the Borrower or issuing letters of credit at the request of the Borrower, provided that if the Trustee, Bond Registrar or Paying Agent (as applicable) determines any such transaction conflicts with its duties as Trustee, Paying Agent or Registrar under the Resolutions, it shall disengage from such transaction or resign as Trustee, Bond Registrar or Paying Agent (as applicable).

MISCELLANEOUS

Supplements to the General Resolution.

Reserved.

Notwithstanding the provisions of Section 6.08 of the General Resolution and with respect to the Series 2007 Bonds, the Authority's insurance requirements are only minimum requirements and are not to be interpreted as the appropriate amounts of insurance the Borrower should maintain. The Borrower, in its sole and absolute discretion, shall determine whether amounts in excess of these minimum requirements should be procured and maintained.

In lieu of the provisions of Section 6.15 of the General Resolution and with respect to the Series 2007 Bonds only, the Trustee on behalf of the Authority shall cause all documents, statements, memoranda or other instruments (including, without limitation, continuation financing statements) to be registered, filed or recorded in such manner and in such places and at such times as may be required by law fully to protect the security of the Bondholders and the right, title and interest of the Trustee in and to the Trust Estate or any part thereof.

In lieu of the provisions of the General Resolution to the contrary and with respect to the Series 2007 Bonds only, subsection (o) of Section 7.01 of the General Resolution shall read as follows:

“Subject to the provisions of clause (m) above, any corporation into which any Trustee under the Resolutions may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee under the

Resolutions shall be a party, or any corporation which may acquire for value the rights as Trustee under the Resolutions, shall be the successor trustee under the Resolutions without the execution or filing of any paper or any further act on the part of the parties, anything herein to the contrary notwithstanding.”

(i) In lieu of the provisions of the General Resolution to the contrary and with respect to the Series 2007 Bonds only, Sections 8.01 (a) and (c) of the General Resolution shall read in full as follows:

(a) with respect to the Series 2007 Bonds, if payment of the principal or Redemption Price of any such Bond is not made when it becomes due and payable at maturity or upon call for redemption (except in the case of an optional redemption for which conditional notice of redemption has been given); or

(c) with respect to the Series 2007 Bonds, if payment of any installment of interest on any such Bond is not made when it becomes due and payable; or

(ii) with respect to the Series 2007 Bonds, the provisions of Sections 3.9, 6.13 and 6.15 of the Loan Agreement shall not constitute “covenants” for purposes of Section 8.01(e) of the General Resolution.

(iii) with respect to the Series 2007 Bonds only, the definition of “Investment Obligations” shall be supplemented to also include those investments set forth on Exhibit A hereto.

Series Resolution to Govern.

This Series Resolution shall remain in full force and effect for so long as any Series 2007 Bonds remain Outstanding under the Resolutions. The General Resolution, as amended and supplemented by this Series Resolution only for purposes in connection with the Series 2007 Bonds, is in all respects ratified and confirmed. The General Resolution, as amended and supplemented by this Series Resolution only for purposes in connection with the Series 2007 Bonds, shall be read, taken and construed as one and the same instrument. To the extent that the provisions of this Series Resolution are inconsistent with the provisions of the General Resolution, the provisions of this Series Resolution shall control.

Incidental Action.

The Authorized Officers of the Authority are hereby authorized to execute and deliver such other documents, and to take such other action as may be necessary or appropriate in order (a) to effectuate the execution and delivery of the Loan Agreement, the Bond Placement Agreement, the Note and the issuance and sale of the Series 2007 Bonds, and (b) to maintain the tax-exempt status of the interest on the Series 2007A Bonds (including the preparation and filing of any information reports or other documents with respect to the Series 2007A Bonds as may at any time be required under the Code).

Prior Resolutions.

All prior resolutions of the Authority or portions thereof inconsistent herewith are hereby repealed.

Amendments.

This Series Resolution may be amended and supplemented by a Supplemental Resolution adopted pursuant to the provisions of the General Resolution.

Effective Date.

This 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 the 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.

EXHIBIT A

SUPPLEMENT TO DEFINITION OF INVESTMENT OBLIGATIONS

Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with direct obligations of the Department of the Treasury of the United States of America);

Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;

Debt obligations of any federal agencies which obligations represent the full faith and credit of the United States of America whether now existing or hereafter organized and including but not limited to:

- Export-Import Bank;

- Rural Economic Community Development Administration (formerly the Farmers Home Administration);
- General Services Administration;
- U.S. Maritime Administration;
- Small Business Administration;
- Government National Mortgage Association (GNMA);
- U.S. Department of Housing & Urban Development (PHA's); and
- Federal Housing Administration.

Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation so long as such organizations are rated "AAA" by S&P or "Aaa" by Moody's;
- Debt obligations of the Resolution Funding Corporation (REFCORP);
- Senior debt obligations of the Federal Home Loan Bank System; and
- Senior debt obligations of other government sponsored agencies;

Interest bearing deposits, federal funds and banker's acceptances with any bank or trust company which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard and Poor's Corporation ("S&P") and "P-1" by Moody's Investors Service ("Moody's"). In the event the bank or trust company does not have a rating as indicated, then the deposits shall be secured by a pledge of obligations rated A2/A or better;

Commercial paper which is rated at the time of purchase in the single highest classification, "A-1" by S&P and "P-1" by Moody's;

Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P (which may include funds for which the Trustee or any affiliate of the Trustee is the financial advisor);

Obligations issued or guaranteed by any municipality or other subdivision of any state with a rating of A2/A or higher from Moody's S&P or Fitch Ratings ("Fitch");

Pre-refunded municipal obligations defined as follows: Any bonds or other obligations or any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

- (A) Which are rated, based on an irrevocable escrow account or fund (the "Escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or
- (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an Escrow consisting only of cash or obligations described in paragraph A above, which Escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which Escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in irrevocable instructions referred to above, as appropriate;

Repurchase agreements that meet the following criteria:

A master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction.

Acceptable providers shall consist of (i) registered broker/dealers subject to Securities Investors' Protection Corporation ("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed rating of A3/P-1 or better by Moody's and A-/A-1 or better by S&P, or (ii) domestic structured investment companies and rated Aaa by Moody's and AAA by S&P, or (iii) wholly-owned and guaranteed financial Borrower subsidiaries of any of the above-mentioned Borrowers.

The repurchase agreement shall require termination thereof if the ratings of the counterparty or the guarantor (as applicable) are suspended, withdrawn or fall below A3 or P-1 from Moody's, or A- or A-1 from S&P. Within ten (10) days, the counterparty shall repay the principal amount plus any accrued and unpaid interest on the investments.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
HOSPITAL ASSET TRANSFORMATION PROGRAM
BOND RESOLUTION (ST. MARY’S HOSPITAL, PASSAIC, N.J. ISSUE)

ADOPTED FEBRUARY 27, 2007

Not Exceeding

\$50,000,000 Aggregate Principal Amount of:

State Contract Bonds

(Hospital Asset Transformation Program - St. Mary’s Hospital, Passaic, N.J. Issue) Series 2007-1

and

State Contract Bonds

(Hospital Asset Transformation Program - St. Mary’s Hospital, Passaic, N.J. Issue) Series 2007-2 (Federally Taxable)

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HOSPITAL ASSET TRANSFORMATION PROGRAM
BOND RESOLUTION (ST. MARY'S HOSPITAL, PASSAIC, N.J. ISSUE)

BE IT RESOLVED by the New Jersey Health Care Facilities Financing Authority as follows:

ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

101. Definitions.

The following terms shall, for all purposes of the Resolution, have the following meanings:

“Account or Accounts” shall mean, as the case may be, each or all of the Accounts to be established pursuant to Section 502.

“Accountant’s Certificate” shall mean a certificate signed by an independent certified public accountant of recognized standing or a firm of independent certified public accountants of recognized standing, selected by an Authorized Officer of the Authority, which may be the accountant or firm of accountants which regularly audits the books of the Authority.

“Act” shall mean 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 and supplemented.

“Administrative Expenses – Initial” shall mean any Administrative Expenses – Ordinary to be paid at the closing for a Series from the proceeds of such Series.

“Administrative Expenses – Ordinary” shall mean ordinary costs, liabilities and expenses incurred by the Authority to undertake the Project, including, but not limited to, the fees and expenses of the Trustee, accounting and other usual administrative costs, in an amount pursuant to the budget prepared by the Authority and approved by the Treasurer; provided however that Administrative Expenses – Ordinary shall not include the Annual Administrative Fee which shall be paid by the Borrower under the Loan Agreement..

“Aggregate Debt Service” for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series.

“Annual Administrative Fee” shall mean the annual fee for the general administrative services of the Authority which shall be subject to change at the option of the Authority.

“Authority” shall mean the New Jersey Health Care Facilities Financing Authority, a public body corporate and politic created and existing under and by virtue of the Act.

“Authorized Newspaper” shall mean a financial newspaper customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York.

“Authorized Officer of the Authority” shall mean the Chairman, Vice-Chairman, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer or Executive Director or Deputy Executive Director and when used with reference to any act or document also means any other person authorized by the by-laws or any resolution of the Authority to perform such act or execute such document.

“Bond” or **“Bonds”** shall mean any bonds, including Refunding Bonds, notes or Other Obligations, authenticated and delivered under and pursuant to the Resolution; provided, however, that as used in Articles III and IV hereof, the term “Bonds” shall not include Other Obligations.

“Bondholder” or **“Holder of Bonds”** or **“Holder”** shall mean any person who shall be the registered owner of any Bond or Bonds.

“Bond Counsel” shall mean, with respect to the issuance and delivery of the Series 2007 State Contract Bonds, Cozen O’Connor, having offices in Newark, Trenton and Cherry Hill, New Jersey, and subsequent thereto, such nationally recognized bond counsel satisfactory to the Authority and the Trustee.

“Bond Payment Obligations” shall mean the Authority’s obligation to pay the principal or Redemption Price of and interest on the Bonds.

“Bond Registrar” shall mean the Trustee and any other bank or trust company organized under the laws of any state of the United States of America or national banking association appointed by the Authority to perform the duties of Bond Registrar enumerated in Section 703 and Section 304.

“Bond Resolution” shall mean this Hospital Asset Transformation Program Bond Resolution (St. Mary’s Hospital, Passaic, N.J. Issue).

“Book-Entry Form” or **“Book-Entry System”** shall mean a form or system, as applicable, under which physical Bond certificates in fully registered form are registered only in the name of the Securities Depository or its nominee and are held in the custody of the Securities Depository or its agent.

“Borrower” shall mean St. Mary’s Hospital, Passaic, N.J., and its successors and assigns.

“Business Day” shall mean any day that is not a Saturday, Sunday or legal holiday in the State or a day on which banking institutions chartered by the State or the United States are legally authorized or required to close or a day on which the Securities Depository for the Bonds or the New York Stock Exchange is closed.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time and the regulations promulgated thereunder.

“Continuing Disclosure Agreement” shall mean the Continuing Disclosure Agreement, by and among the Authority, the Treasurer and the Dissemination Agent named therein, relating to the Series 2007 State Contract Bonds, as the same may be amended and supplemented from time to time.

“Cost of Issuance Account” shall mean the Cost of Issuance Account or Accounts in the Program Fund established in Section 502.

“Debt Service” shall mean, with respect to any Series and with respect to each Payment Date for such Series, the principal and Redemption Price of and accrued interest coming due and payable on such Series on such Payment Date.

“Debt Service Fund” shall mean the Debt Service Fund established in Section 502.

“Event of Default” shall have the meaning given to such term in Section 801.

“Event of Non-Appropriation” shall mean an event described in Section 801(d) hereof.

“Federal Securities” shall mean (i) any direct and general obligations of, or any obligations guaranteed by, the United States of America, including but not limited to interest obligations of the Resolution Funding Corporation or any successor thereof, (ii) any obligations of any state or political subdivision of a state which are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of such bonds, and (iii) certificates of ownership of the principal or interest of direct and general obligations of, or obligations guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System.

“Fiduciary” or **“Fiduciaries”** shall mean the Trustee, the Paying Agents, the Bond Registrar or any or all of them, as may be appropriate.

“Financing Facility” shall mean any revolving credit agreement, agreement establishing a line of credit or letter of credit, reimbursement agreement, interest rate exchange agreement, insurance contract, surety bond, commitment to purchase or sell bonds, purchase or sale agreement, or commitments or other contracts or agreements, and other security agreements as approved by an Authorized Officer of the Authority and by each Rating Agency which has issued a rating on the Bonds to which such Financing Facility relates, in connection with the issuance of Bonds. The term “Financing Facility” shall include, without limitation, any Swap Agreement.

“Financing Facility Payment Obligations” shall mean all payment and reimbursement obligations of the Authority in connection with any Financing Facility.

“Financing Facility Provider” shall mean the issuer or provider of a Financing Facility.

“Financing Facility Revenues” shall mean all amounts received by the Authority or the Trustee pursuant to any Financing Facility.

“Fiscal Year” shall mean the fiscal year of the State which presently includes the twelve (12) month period commencing July 1 of each year and ending on the succeeding June 30.

“Fitch” shall mean Fitch Ratings.

“Forward Delivery Agreement” shall mean that agreement dated as of February 1, 2007 by and between the Authority and Merrill Lynch, Pierce, Fenner & Smith Incorporated setting forth the terms and conditions for the sale by the Authority and the purchase by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Manager for the Series 2007 State Contract Bonds, when, if and as issued by the Authority.

“Fund or Funds” shall mean, as the case may be, each or all of the Funds established in Section 502.

“Interest Payment Date” shall mean, with respect to a Series of Bonds, each date set forth in the Supplemental Resolution authorizing such Series of Bonds or the Series Certificate relating thereto on which accrued interest on the Bonds of such Series shall be payable.

“Investment Agreement” shall mean an investment agreement with (i) a commercial bank or trust company or a national banking association in any case having a capital stock and surplus of more than \$100,000,000, or (ii) an insurance company with the highest rating provided by A.M. Best Company, or (iii) a corporation; provided that the credit of such commercial bank or trust company or national banking association, insurance company or corporation, as the case may be, is rated (or, in the case of a corporation, whose obligations thereunder are guaranteed by a corporation whose credit is rated) not lower than the rating category of Moody’s and S&P required to maintain the rating then in effect or to obtain the rating to be obtained on the Bonds in respect of which such Investment

Agreement is entered into, which agreement provides for the investment of funds held in the Funds and Accounts, which funds shall be collateralized by at least one hundred two (102%) percent in principal amount of Investment Securities, as the same may be amended from time to time.

“**Investment Securities**” shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the Authority’s funds:

Federal Securities;

Bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States to the extent such obligations are guaranteed by the United States or by another such agency the obligations (including guarantees) of which are guaranteed by the United States;

Bonds, debentures, notes or other evidences of indebtedness issued by any corporation chartered by the United States, including, but not limited to, Governmental National Mortgage Association, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Resolution Funding Corporation, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;

Negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, including a Fiduciary, which certificates of deposit shall be continuously secured or collateralized by obligations described in subparagraphs (i) or (ii) of this definition, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;

Uncollateralized negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, the unsecured obligations of which are rated in one of the two highest rating categories, without rating sub-categories, by Moody’s and S&P;

Repurchase agreements collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition with any registered broker/dealer subject to the Securities Investors’ Protection Corporation jurisdiction, which has an unsecured, unsecured and unguaranteed obligation rated “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P, or any commercial bank with the above ratings, provided;

a master repurchase agreement or specific written repurchase agreement governs the transaction, which characterizes the transaction as a purchase and sale of securities,

the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$75,000,000 or (iii) a bank approved in writing for such purpose by each Financing Facility Provider, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. or a successor provision in such securities is created for the benefit of the Trustee,

the repurchase agreement has a term of six months or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation,

the repurchase agreement matures on or before a Payment Date (or, if held in a Fund other than the Debt Service Fund, other appropriate liquidation period), and

the fair market value of the securities in relation to the amount of the repurchase obligation is equal to the collateral levels established by a Rating Agency for the rating assigned by the Rating Agency to the seller.

Banker’s acceptances, eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided for by subparagraphs (iv) and (v) above) of the domestic branches of foreign banks having a capital and surplus of \$1,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, in the amount of \$1,000,000,000; provided that the aggregate maturity value of all such banker’s acceptances and certificates of deposit held at any time as investments of Funds under this Resolution with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further than any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by Moody’s and S&P;

Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State of New Jersey or which are legal investments for savings banks in the State of New Jersey;

Deposits in the New Jersey Cash Management Fund;

Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories by Moody's and S&P;

Commercial paper with a maturity date not in excess of 270 days rated by the Rating Agencies at least equal to the rating assigned by the Rating Agencies to the applicable Series of Bonds and in no event lower than the "A" category established by a Rating Agency (which may include subcategories indicated by plus or minus or by numbers) at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof;

Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is then rated in any of the three highest rating categories by each Rating Agency which is then rating the Bonds or money market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof which has a combined capital and surplus of not less than \$50,000,000;

Investment contracts (a) providing for the future purchase of securities of the type described in (i), (ii), (iii) and (viii) above, which contracts have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction or (b) the obligor under which or the guarantor thereof shall have a credit rating such that its long term debt is rated at least "A+" by S&P if the Bonds are then rated by such Rating Agency and at least "A1" by Moody's if the Bonds are then rated by such Rating Agency; and

Investment Agreements.

"Loan Agreement" shall mean the Loan Agreement dated as of the date hereof between the Authority and the Borrower, relating to the Series 2007 State Contract Bonds, as the same may be amended and supplemented from time to time.

"Manager" shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated, as managing underwriter for the Series 2007 State Contract Bonds.

"Month" shall mean a calendar month.

"Moody's" shall mean Moody's Investors Service, Inc.

"Opinion of Counsel" or **"Opinion"** shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds (who may be general, special or bond counsel to the Authority).

"Other Obligations" shall mean bank loan agreements, lines of credit and other security agreements, and any other form of indebtedness which the Authority is authorized to enter into or obtain to provide direct payment of any costs which the Authority is authorized to pay pursuant to the Act.

"Outstanding" when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

Bonds cancelled by the Trustee at or prior to such date;

Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Resolution and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given or provisions satisfactory to the Trustee shall have been made for the giving of such notice as provided in Article IV;

Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 406 or Section 1106; and

Bonds deemed to have been paid as provided in subsections 2 or 3 of Section 1201.

"Outstanding Bonded Indebtedness" shall mean the outstanding bonded indebtedness of the Borrower consisting the Authority's Hospital Revenue Bonds, (St. Mary's Hospital, Passaic, N.J. Issue), Series 2007A and its Hospital Revenue Bonds (St. Mary's Hospital, Passaic, N.J. Issue), Series 2007B (Federally Taxable).

"Paying Agent" shall mean any bank or trust company organized under the laws of any state of the United States of America or any national banking association designated as paying agent for the Bonds of any Series, and its successors hereafter appointed in the manner provided in the Resolution.

“Payment Date” shall mean each Interest Payment Date and each date upon which any principal or Redemption Price of any Bonds Outstanding shall become due and payable.

“Pledged Property” shall mean (a) with respect to the Bond Payment Obligations and, to the extent provided in any Supplemental Resolution authorizing a Series which is to be secured, in whole or in part, by, or payable, in whole or in part, from, a Financing Facility, the applicable Financing Facility Payment Obligations, the State Contract, the Revenues and the amounts and Investment Securities on deposit in the Funds (other than the Program Fund and the Rebate Fund), and (b) with respect to any Series of Bonds in connection with which the Authority has obtained a Financing Facility, and to the extent provided in a Supplemental Resolution, the applicable Financing Facility and Financing Facility Revenues and all moneys from time to time held in any applicable subaccount within the Debt Service Fund.

“Program Fund” shall mean the Program Fund established in Section 502.

“Purchase Contract” shall have the meaning given to such term in Section 207.

“Rating Agency” shall mean, to the extent applicable, S&P and any successor thereto, if it has assigned a rating to any Bonds, Moody’s and any successor thereto, if it has assigned a rating to any Bonds, Fitch and any successor thereto, if it has assigned a rating to any Bonds or any other nationally recognized bond rating agency and any successor thereto if it has assigned a rating to any Bonds.

“Rebate Fund” shall mean the Rebate Fund established in Section 502.

“Record Date” shall mean with respect to an Interest Payment Date for a particular Series of Bonds, unless otherwise provided by the Supplemental Resolution authorizing such Series, the fifteenth day next preceding such Interest Payment Date.

“Redemption Price” shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Resolution.

“Refunding Bonds” shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 203, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 406 or Section 1106.

“Related Swap Bonds” shall mean, with respect to and during the term of any Swap Agreement, the Bonds to which such Swap Agreement relates, as specified in the applicable Supplemental Resolution.

“Related Swap Bond Payment Obligations” shall mean, with respect to any Related Swap Bonds, (i) that portion of the interest on such Bonds payable from Swap Revenues as set forth in the applicable Supplemental Resolution and (ii) any Swap Termination Payments payable to the Holders of such Related Swap Bonds or to be used to purchase a substitute Swap Agreement.

“Resolution” shall mean this Bond Resolution, as from time to time amended or supplemented by Supplemental Resolutions (including Series Certificates) in accordance with the terms hereof.

“Revenue Fund” shall mean the Revenue Fund established in Section 502.

“Revenues” shall mean (i) all amounts appropriated and paid to the Authority pursuant to the State Contract, (ii) any other amounts appropriated and paid by the State to the Authority or received from any other source by the Authority and pledged by the Authority as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution and paid or required to be paid into the Revenue Fund; provided, however, that the term “Revenues” shall not include Financing Facility Revenues or interest received or to be received on any moneys or security held in the Program Fund or the Rebate Fund.

“S&P” shall mean Standard & Poor’s Ratings Services.

“Securities Depository” shall mean The Depository Trust Company, New York, New York, until a successor Securities Depository shall have become such pursuant to the applicable provisions of the Resolution, and, thereafter, “Securities Depository” shall mean the successor Securities Depository. Any Securities Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in the Series 2007 State Contract Bond, and to effect transfers of the Series 2007 State Contract Bonds, in a Book-Entry Form.

“Series” shall mean all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Resolution authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 406 or Section 1106, regardless of variations in maturity, interest rate, redemption provisions or other provisions.

“Series Certificate” shall mean a certificate, executed by an Authorized Officer of the Authority and approved in writing by the Treasurer making certain determinations in connection with the issuance of a Series of Bonds pursuant to this Bond Resolution or the Supplemental Resolution providing for, among other items, the issuance of such Series of Bonds. Each Series Certificate, upon execution and delivery, shall be deemed to be a part of this Bond Resolution or such applicable Supplemental Resolution.

“**Series 2007-1 Bonds**” shall mean the Authority’s State Contract Bonds (Hospital Asset Transformation Program - St. Mary’s Hospital, Passaic, N.J. Issue), Series 2007-1.

“**Series 2007-2 Bonds**” the Authority’s State Contract Bonds (Hospital Asset Transformation Program - St. Mary’s Hospital, Passaic, N.J. Issue), Series 2007-2 (Federally Taxable).

“**Series 2007 State Contract Bonds**” shall mean the Series 2007-1 Bonds and the Series 2007-2 Bonds.

“**State**” shall mean the State of New Jersey.

“**State Contract**” shall mean the contract to be entered into between the Treasurer and the Authority prior to the issuance of the Series 2007 State Contract Bonds under this Resolution, together with any and all amendments and supplements thereto which contract provides, among other things, for the credit of amounts to the Debt Service Fund and for payment, subject to appropriation, to the Authority of the amounts so credited pursuant to the Act.

“**Supplemental Resolution**” shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Authority in accordance with Article X hereof.

“**Swap Agreement**” shall mean any interest rate swap, cap or collar or other arrangement between the Authority and one or more financial institutions providing for the transfer or mitigation of interest rate risks either generally or under specific contingencies.

“**Swap Payment Obligations**” shall mean, for any period of time and with respect to any Related Swap Bonds, all net amounts payable by the Authority (including Swap Termination Payments payable by the Authority) under any Swap Agreement in respect of such Related Swap Bonds

“**Swap Provider**” shall mean the provider of any Swap Agreement.

“**Swap Revenues**” shall mean all amounts received by the Authority or the Trustee pursuant to any Swap Agreement, including without limitation any Swap Termination Payment.

“**Swap Revenues Subaccount**” shall mean the Swap Revenues Subaccount within the Debt Service Fund established in Section 506.

“**Swap Termination Payment**” shall mean, with respect to any Swap Agreement, any settlement amount payable by the applicable Swap Provider or the Authority by reason or on account of the early termination of such Swap Agreement. The term “Swap Termination Payment” shall not include net unpaid amounts which would have been payable by the Swap Provider or the Authority pursuant to the terms of the applicable Swap Agreement irrespective of the early termination of such Swap Agreement.

“**Treasurer**” shall mean the Treasurer of the State of New Jersey.

“**Trustee**” shall mean the Trustee appointed under Section 216 hereof, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

“**2007-1 Series Certificate**” shall mean the Series Certificate for the Series 2007-1 Bonds.

“**2007-2 Series Certificate**” shall mean the Series Certificate for the Series 2007-2 Bonds.

“**2007-1 Program Fund**” shall mean the Program Fund for the Series 2007-1 Bonds.

“**2007-2 Program Fund**” shall mean the Program Fund for the Series 2007-2 Bonds.

“**Unassigned Authority’s Rights**” shall have the meaning assigned to such in the Loan Agreement.

“**Underwriters**” shall mean, collectively, the Manager and such additional underwriters for the Series 2007 State Contract Bonds appointed pursuant to Section 207.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, districts, agencies and bodies.

102. Authority for the Resolution.

This Resolution is adopted pursuant to the provisions of the Act.

103. Resolution to Constitute Contract.

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the Bonds; and the security interest granted and the pledge and assignment made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, all except as expressly provided in or permitted by the Resolution.

Notwithstanding the provisions of subsection (a) above, to the extent provided in the Supplemental Resolution authorizing a Series of Bonds, (i) any and all Bonds of such Series may be secured by and payable from, in whole or in part, a Financing Facility, (ii) the security interest granted and the pledge and assignment made in the Resolution may also secure, on a parity with all other Bonds issued under the Resolution,

the Authority's Financing Facility Payment Obligations with respect thereto, provided, however that the aggregate amount of indebtedness which may be secured by this Resolution with respect to any Series of Bonds on a parity with all other Bonds issued or to be issued under the Resolution may not exceed the aggregate principal amount of, premium, if any, and interest on the Bonds of such Series, and (iii) Related Swap Bond Payment Obligations may be payable solely from the applicable Swap Revenues, and such Swap Revenues may be pledged solely to and shall be applied solely for the payment of such Related Swap Bond Payment Obligations.

ARTICLE II AUTHORIZATION AND ISSUANCE OF BONDS

201. Authorization of Bonds.

The Authority is hereby authorized to issue from time to time, as hereinafter provided, Bonds of the Authority to be designated as "State Contract Bonds (Hospital Asset Transformation Program - St. Mary's Hospital, Passaic, N.J. Issue) in an aggregate principal amount not to exceed \$50,000,000.

The Bonds may be issued in one or more Series, and the designation thereof, in addition to the name "State Contract Bonds (Hospital Asset Transformation Program - St. Mary's Hospital, Passaic, N.J. Issue)", shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the Authority may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Nothing in the Resolution shall be deemed to preclude or prevent the consolidation into a single Series for purposes of issuance and sale of Bonds otherwise permitted by the Resolution to be issued at the same time in two or more separate Series, provided that solely for the purpose of satisfying the requirements of Sections 202, 203 or 205, as the case may be, the Bonds otherwise permitted by the Resolution to be issued as a separate Series shall be considered separately as if such Bonds were to be issued as a separate Series. In the event that separate Series are combined for purposes of issuance and sale, they may be issued under a single Supplemental Resolution notwithstanding any other provision of the Resolution.

202. General Provisions for Issuance of Bonds.

All (but not less than all) the Bonds of each Series shall be executed by the Authority for issuance under the Resolution and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Authority or upon its order, but only upon the receipt by the Trustee of:

(1) A copy of the Supplemental Resolution authorizing such Bonds (other than for the Series 2007 State Contract Bonds), and a copy of the Series Certificate, if any, relating to such Bonds, each certified by an Authorized Officer of the Authority, which shall, among other provisions, specify: (a) the authorized maximum principal amount, designation and Series of such Bonds; (b) the purposes for which such Series of Bonds are being issued, which shall be (i) the satisfaction of outstanding bonded indebtedness of the Borrower (including costs of issuance relating thereto) in connection with the Hospital Asset Transformation Program as set forth in the Act, (ii) the refunding of Bonds as provided in Section 203 or (iii) any other lawful purpose permitted under the Act; (c) the date, and the maturity date or dates, of the Bonds of such Series; (d) the interest rate or rates or the method of calculation of the interest rate or rates of the Bonds of such Series and the Interest Payment Dates therefor; (e) the denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series; (f) the Redemption Price or Prices or prepayment price or prices, if any, and, subject to Article IV, the redemption or prepayment terms for the Bonds of such Series; (g) provisions for the sale of the Bonds of such Series; (h) the amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Series of Bonds or other sources in the Funds and provisions for the application thereof; (i) the form of the Bonds of such Series, and the form of the Trustee's certificate of authentication (if applicable), which forms shall be, respectively, substantially in the forms set forth in Section 217, with such variations, omissions or insertions as are required or permitted by this Resolution; and (j) such other provisions as an Authorized Officer of the Authority may deem necessary or desirable in connection with the issuance of such Series of Bonds. Notwithstanding the foregoing, the Authority may delegate to an Authorized Officer of the Authority the authority to determine by Series Certificate any of the matters that are required to be set forth in a Supplemental Resolution other than the authorization of the issuance of Bonds, the maximum principal amount of the Bonds of such Series, the final maturity date of the Bonds of such Series, the maximum redemption premium and the maximum interest rate or true interest cost with respect to such Bonds or any other provisions required by the Act to be authorized by a resolution.

(2) An Opinion of Bond Counsel to the effect that (i) the Authority has the right and power to adopt this Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is

in full force and effect and is valid and binding upon the Authority in accordance with its terms, and no other authorization for the Resolution is required; (ii) the Resolution creates the valid pledge which it purports to create of the Revenues, moneys, securities and funds and other Pledged Property, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution; and (iii) the Bonds of such Series are valid and binding obligations of the Authority as provided in the Resolution and entitled to the benefits of the Resolution and of the Act as amended to the date of such Opinion, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date of such Opinion, and in accordance with the Resolution; provided, that such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity affecting creditors' rights generally and judicial discretion;

(3) A written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority;

(4) A certificate of an Authorized Officer of the Authority stating that (a) the Authority is not, or upon the issuance of such Series of Bonds will not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution; and (b) the State Contract is in full force and effect;

(5) The written approval of the Treasurer for the issuance of such Bonds.

(6) Such further documents, moneys, securities and evidences of deposit of funds with the Trustee as are required by the provisions of Section 203 or Article X or the Supplemental Resolution authorizing such Series of Bonds.

After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Article III or Section 406 or Section 1106.

203. Refunding Bonds.

One or more Series of Refunding Bonds may be issued at any time to refund Outstanding Bonds of one or more Series or one or more maturities within a Series or any Bonds of one or more maturities within one or more Series. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including, without limitation, the payment of the costs of issuance of such Refunding Bonds) and to make the deposits in the Funds and Accounts under this Resolution required by the provisions of the Supplemental Resolution authorizing such Refunding Bonds.

Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by Section 202) of:

(1) Instructions to the Trustee, satisfactory to it, to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions, subject to the provisions of Section 1201 hereof;

(2) If the Bonds to be refunded are not by their terms subject to redemption or will not be redeemed within the next succeeding sixty (60) days, instructions to the Trustee, satisfactory to it, to mail the notice provided for in Section 1201 to the Holders of the Bonds being refunded; and

(3) The deposit of amounts as shall be necessary to comply with the provisions of subsection 2 of Section 1201; and

(4) Such further documents and moneys as are required by the provisions of Article X or any Supplemental Resolution authorizing such Refunding Bonds.

The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Refunding Bonds for the purposes of making deposits in such Funds and Accounts under this Resolution as shall be provided by the Supplemental Resolution authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Resolution or Series Certificate.

204. Reserved.

205. Designation, Series, Principal Amount and Payment Dates.

Series 2007-1 Bonds. Pursuant to the provisions of this Resolution, a Series of Bonds entitled to the benefits, protection and security of such provisions is hereby authorized to be issued as tax-exempt bonds in an aggregate principal amount, together with the Series 2007-2 Bond, not to exceed \$50,000,000. The Series 2007-1 Bonds shall be distinguished from the Bonds of all other Series by the title, "State Contract Bonds (Hospital Asset Transformation Program - St. Mary's Hospital, Passaic, N.J. Issue), Series 2007-1 Bonds." The Series 2007-1 Bonds shall be issued and sold as single Series of Bonds pursuant to the provisions of Section 207 of this

Resolution. The respective principal amounts, interest rate or rates, dated dates, Payment Dates, redemption provisions and maturity provisions with respect to the Series 2007-1 Bonds shall be as determined by the Authorized Officers of the Authority, in accordance with Section 211, by the 2007-1 Series Certificate executed by any one such Authorized Officer of the Authority and approved in writing by the Treasurer; provided, however, that the final maturity of the Series 2007-1 Bonds shall be not later than thirty (30) years from the date of issuance and the true interest cost on the Series 2007-1 Bonds shall not exceed six percent (6.0%) per annum.

Series 2007-2 Bonds. Pursuant to the provisions of this Resolution, a Series of Bonds entitled to the benefits, protection and security of such provisions is hereby authorized to be issued as taxable bonds, together with the Series 2007-1 Bonds in an aggregate principal amount not exceeding \$50,000,000. The Series 2007-2 Bonds shall be distinguished from the Bonds of all other Series by the title, "State Contract Bonds (Hospital Asset Transformation Program - St. Mary's Hospital, Passaic, N.J. Issue), Series 2007-2 (Federally Taxable)." The Series 2007-2 Bonds shall be issued and sold as single Series of Bonds pursuant to the provisions of Section 207 of this Resolution. The respective principal amounts, interest rate or rates, dated dates, Payment Dates, redemption provisions and maturity provisions with respect to the Series 2007-2 Bonds shall be as determined by the Authorized Officers of the Authority, in accordance with Section 211, by the 2007-2 Series Certificate executed by any one such Authorized Officer of the Authority and approved in writing by the Treasurer; provided, however, that the final maturity of the Series 2007-2 Bonds shall be not later than thirty (30) years from the date of issuance and the true interest cost on the Series 2007-2 Bonds shall not exceed seven and one-half percent (7 1/2%) per annum.

206. Purpose.

The Series 2007 State Contract Bonds shall be issued for the purposes of this Resolution, specifically to: (i) provide funds to the Borrower to satisfy the Outstanding Bonded Indebtedness of the Authority; and (ii) pay the costs of issuing the Series 2007 State Contract Bonds

207. Authorization of Negotiated Bond Sale; Appointment of Parties; Approval of Forward Delivery Agreement and Purchase Contract; Selection of Manager and Underwriters; Determination Under Executive Order No. 26.

Upon recommendation of the Treasurer based upon Treasury's competitive RFP/RFQ process and in accordance with the State of New Jersey Executive Order No. 26 signed by Governor Christine Todd Whitman (1994) ("Executive Order No. 26), the Authority hereby appoints Merrill Lynch, Pierce, Fenner & Smith Incorporated as Manager for the Series 2007 State Contract Bonds and, upon recommendation of the Treasurer in accordance with Executive Order No. 26, an Authorized Officer of the Authority is hereby authorized to select additional co-senior managers and co-managers for the Series 2007 State Contract Bonds. Such appointment(s) shall be evidenced by the execution of the Purchase Contract (as defined below). The purchase of the Series 2007 State Contract Bonds by the Underwriters and the sale of the Series 2007 State Contract Bonds by the Authority to the Underwriters shall be subject to (a) the execution by the Authority and Merrill Lynch, Pierce, Fenner & Smith Incorporated of the Forward Delivery Agreement; and (b) the execution by the Authority and the Manager, as representative of the Underwriters, of a Bond Purchase Contract (the "Purchase Contract") in substantially the form presented to this meeting. The Forward Delivery Agreement and the Purchase Contract, in substantially the form presented to this meeting, is hereby approved; provided, that an Authorized Officer of the Authority is hereby authorized, with the advice of Bond Counsel and the Attorney General of the State (the "State Attorney General"), to make such changes, insertions and deletions to and omissions from such form as may be necessary or appropriate. The Authorized Officers of the Authority are each hereby authorized, in consultation with Bond Counsel and the State Attorney General, to negotiate the terms of the Purchase Contract. The Authorized Officers of the Authority are, and each such Authorized Officer of the Authority is, hereby authorized on behalf of the Authority to approve the terms of the Purchase Contract relating to the sale of the Series 2007 State Contract Bonds and to execute and deliver such Purchase Contract to the Manager, as representative of the Underwriters; provided, that the provisions of the Purchase Contract are acceptable to counsel to the Authority (including Bond Counsel and the State Attorney General) and (i) the amount of the compensation to be paid to the Underwriters does not exceed \$___ per \$1000 of Series 2007 State Contract Bonds issued, (ii) the final maturity date for the Series 2007 State Contract Bonds shall not be later than thirty (30) years from the date of issuance, the Purchase Contract is executed within ninety (90) days of the date of adoption of the Resolution; (iv) the aggregate principal amount of the Series 2007 Bonds shall not exceed \$50,000,000, including costs incurred in connection with the issuance of the Series 2007 State Contract Bonds; and (v) the true interest cost on (a) the Series 2007-1 Bonds shall not exceed six percent (6.0%) per annum and (b) the Series 2007-2 Bonds shall not exceed seven and one-half percent (7 1/2%) per annum. In accordance with Executive Order No. 26, the Authority has determined that the Series 2007 State Contract Bonds will be sold in accordance with the Purchase Contract pursuant to a "negotiated sale" and that such negotiated sale is permissible as a result of the complex financing structure and volatile interest rate conditions.

208. Approval of Preliminary Official Statement.

The preliminary official statement relating to the offering of the Series 2007 State Contract Bonds (the "Preliminary Official Statement"), substantially in the form presented to this meeting, is hereby approved; provided, that Appendix I to the Preliminary Official Statement (which is provided by the State of New Jersey) shall be included therein, and provided, further, that an Authorized Officer of the Authority is hereby authorized, with the advice of Bond Counsel and the State Attorney General, to make such changes and insertions to and omissions from such form as may be necessary or appropriate. An Authorized Officer of the Authority is hereby authorized, with the advice of Bond Counsel and the State Attorney General, to deem the Preliminary Official Statement final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, and to provide written evidence relating thereto in form acceptable to Bond Counsel.

209. Authorization of Distribution of Preliminary Official Statement.

The distribution in connection with the sale of the Series 2007 State Contract Bonds of the Preliminary Official Statement, with such changes, insertions and omissions in the Preliminary Official Statement as an Authorized Officer of the Authority shall approve, with the advice of Bond Counsel and the State Attorney General, is hereby authorized. Any Authorized Officer of the Authority is further authorized to take all such other actions as such Authorized Officer of the Authority shall deem necessary or desirable to effect the issuance and sale of the Series 2007 State Contract Bonds.

210. Rule 15c2-12.

The Continuing Disclosure Agreement, substantially in the form presented to this meeting, is hereby approved; provided, that an Authorized Officer of the Authority is hereby authorized with the advice of Bond Counsel and the State Attorney General, to make such changes and insertions to and omissions from such form as such Authorized Officer of the Authority may deem necessary or appropriate. The Authorized Officers of the Authority are hereby authorized, with the advice of Bond Counsel and the State Attorney General, to execute such documents and instruments relating to continuing disclosure, if any as may be necessary or desirable to enable brokers, dealers and municipal securities dealers to comply with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended.

211. Additional Proceedings.

As additional proceedings of the Authority in connection with the issuance, sale and delivery of the Series 2007 State Contract Bonds hereby authorized, there is hereby delegated to the Authorized Officers of the Authority the power to take the following actions and make the following determinations as to the Series 2007 State Contract Bonds by the Series Certificate executed by any one such Authorized Officer of the Authority and approved in writing by the Treasurer:

To determine, subject to the provisions of this Resolution, the respective principal amounts, maturities, redemption provisions, interest rate or rates and denominations (not exceeding the aggregate principal amount of each maturity) of the Series 2007 State Contract Bonds and any other provisions deemed advisable by such person not in conflict with or in substitution for the provisions of this Resolution.

To execute a final Official Statement of the Authority, substantially in the form of the Preliminary Official Statement, with such insertions, revisions and omissions as may be authorized by the Authorized Officer of the Authority executing the same, with the advice of Bond Counsel and the State Attorney General, to deliver the final Official Statement to the Underwriters and to authorize the use of the final Official Statement and the information contained therein in connection with the offering and sale of the Series 2007 State Contract Bonds.

To select a firm to act as its broker to solicit bids, to enter into one or more repurchase agreements and to purchase other Investment Securities, in the event that such Authorized Officer of the Authority determines that it is advantageous to the Authority to invest any proceeds of the Series 2007 State Contract Bonds pursuant to such repurchase agreement(s) and/or other Investment Securities.

To purchase a municipal bond insurance policy or policies with respect to any or all of the maturities of the Series 2007 State Contract Bonds if an Authorized Officer of the Authority, in consultation with the Treasurer, determines that such policy or policies of municipal insurance is necessary or desirable, to include in the Series Certificate such provisions relating to the insurance policy or policies as such Authorized Officer of the Authority, with the advice of Bond Counsel, the State Attorney General, or his designees, and the Treasurer, deems appropriate, and to include on the form of any Series 2007 State Contract Bond that is insured by a municipal bond insurance policy a statement of insurance in the form requested by the issuer of such municipal bond insurance policy.

Prior to the issuance of the Series 2007 State Contract Bonds, to make such revisions to this Resolution as may be requested by Fitch, Moody's and/or S&P in connection with their respective ratings of the Series 2007 State Contract Bonds, or by the issuer of any municipal bond insurance policy insuring any of the Series

2007 State Contract Bonds; provided, that such revisions, if any, shall be memorialized in the Series Certificate for the Series 2007 State Contract Bonds.

To make such other determinations, to execute such other documents, instruments and papers and to do such acts and things as may be necessary or advisable in connection with the issuance, sale and delivery of, and security for, the Series 2007 State Contract Bonds and are not inconsistent with the provisions of this Resolution. Any and all actions heretofore taken by the Authorized Officers of the Authority in connection with the issuance of the Series 2007 State Contract Bonds are hereby ratified.

All matters determined by an Authorized Officer of the Authority under the authority of this Resolution shall constitute and be deemed matters incorporated into this Resolution and approved by the Authority, and, whenever an Authorized Officer of the Authority is authorized or directed to take any action pursuant to this Resolution with or upon the advice, consent or consultation with or by any other person, agency, office or official, a certificate of such Authorized Officer of the Authority may be relied upon as being determinative that such advice, consultation or consent has in fact occurred and that such actions of the Authorized Officer of the Authority are valid and binding.

212. Denomination, Numbers and Letters; Payment.

The Series 2007 State Contract Bonds shall be issued in such denominations as shall be set forth in the Series Certificate. Unless an Authorized Officer of the Authority shall otherwise direct, the Series 2007 State Contract Bonds shall be lettered and numbered from one upward preceded by the letter "R" prefixed to the number. Unless an Authorized Officer of the Authority shall otherwise direct, the Series 2007 State Contract Bonds shall be issued in Book-Entry Form. Subject to the provisions of this Resolution, the form of the Series 2007 State Contract Bonds and the Trustee's Certificate of Authentication shall be substantially as set forth in Section 217.

The Series 2007 State Contract Bonds shall be payable, with respect to principal and Redemption Price, if any, in any coin or currency of the United States of America that at the time of payment is legal tender for the payment of public and private debts. Interest on the Series 2007 State Contract Bonds, unless otherwise provided, shall be payable by check or draft drawn on the Paying Agent. However, interest on the Series 2007 State Contract Bonds will be paid to any owner of \$1,000,000 or more in aggregate principal amount of Series 2007 State Contract Bonds by wire transfer to a wire transfer address within the continental United States upon the written request of such owner received by the Trustee not less than five days prior to the Record Date.

213. Redemption.

Bonds shall be subject to redemption prior to maturity as provided in a Supplemental Resolution or Series Certificate. Notwithstanding the foregoing, in no event shall the redemption price for any Series 2007 Bonds set forth in the Series Certificate exceed 10% of the principal amount to be redeemed, plus interest accrued to the redemption date.

214. Book-Entry Only System.

Except as provided in subparagraph (3) of this Section 214, the registered Holder of all of the Series 2007 State Contract Bonds shall be, and the Series 2007 State Contract Bonds shall be registered in the name of, Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). With respect to all Series 2007 State Contract Bonds for which Cede & Co. shall be the registered Holder, payment of semiannual interest on such Series 2007 State Contract Bonds shall be made by wire transfer to the account of Cede & Co. on the interest payment dates for the Series 2007 State Contract Bonds at the address indicated for Cede & Co. in the registration books of the Authority kept by the Trustee, as Bond Registrar.

With respect to Series 2007 State Contract Bonds so registered in the name of Cede & Co., the Authority and the Trustee shall have no responsibility or obligation to any DTC participant, indirect DTC participant or beneficial owner of the Series 2007 State Contract Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC participant or indirect DTC participant with respect to any beneficial ownership interest in the Series 2007 State Contract Bonds, (ii) the delivery to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede & Co., of any notice with respect to the Series 2007 State Contract Bonds, or (iii) the payment to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede & Co., of any amount with respect to the principal of, premium, if any, or interest on the Series 2007 State Contract Bonds. The Authority and the Trustee may treat DTC as, and deem DTC to be, the absolute registered Holder of the Series 2007 State Contract Bonds for the purpose of (i) payment of the principal of and interest on the Series 2007 State Contract Bonds, (ii) giving notices with respect to the Series 2007 State Contract Bonds, (iii) registering transfers with respect to the Series 2007 State Contract Bonds and (iv) for all other purposes whatsoever. The Trustee shall pay the principal of and interest on the Series 2007 State Contract Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal and interest to the extent of the sum or sums so

paid. No person other than DTC shall receive a Series 2007 State Contract Bond evidencing the obligation of the Authority to make payments of principal thereof and interest thereon pursuant to this Resolution. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions hereof, the words "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(1) DTC may determine to discontinue providing its services with respect to the Series 2007 State Contract Bonds at any time by giving written notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Upon receipt of such notice, the Authority shall promptly deliver a copy of same to the Trustee.

(2) An Authorized Officer of the Authority (i) in its sole discretion and without the consent of any other person, may discontinue the use of the Book-Entry System through DTC (or a successor Securities Depository) with respect to the Series 2007 State Contract Bonds, in which event Series 2007 State Contract Bond certificates are required to be printed and delivered to DTC, and (ii) shall terminate the services of DTC with respect to the Series 2007 State Contract Bonds upon receipt by the Authority and the Trustee of written notice from DTC to the effect that DTC has received written notice from DTC participants or indirect DTC participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Series 2007 State Contract Bonds to the effect that (A) DTC is unable to discharge its responsibilities with respect to the Series 2007 State Contract Bonds, or (B) a continuation of the requirement that all the Outstanding Series 2007 State Contract Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee for DTC, is not in the best interest of the beneficial owners of the Series 2007 State Contract Bonds.

(3) Upon the termination of the services of DTC with respect to all or any portion of the Series 2007 State Contract Bonds pursuant to Section 211(c)(2)(ii)(A), or upon the discontinuance or termination of the services of DTC with respect to all or any portion of the Series 2007 State Contract Bonds pursuant to Section 211(c)(i) or 211(c)(2)(ii)(B), after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found that, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the Series 2007 State Contract Bonds (or the applicable portion thereof) shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee for DTC, but may be registered in whatever name or names Bondholders transferring or exchanging such Series 2007 State Contract Bonds shall designate, in accordance with the provisions of this Resolution. Upon the determination by any party authorized herein that the Series 2007 State Contract Bonds (or any portion thereof) shall no longer be limited to Book-Entry Form, an Authorized Officer of the Authority shall immediately advise the Trustee in writing of the procedures for transfer of such Series 2007 State Contract Bonds from Book-Entry Form to a fully registered form.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Series 2007 State Contract Bond is registered in the name of Cede & Co., as nominee for DTC, all payments with respect to the principal of and interest on, and all notices with respect to, such Series 2007 State Contract Bond shall be made and given, respectively, to DTC as provided in the Blanket Letter of Representations of the Authority addressed to DTC.

In connection with any notice or other communication to be provided to Holders of the Series 2007 State Contract Bonds pursuant to this Resolution by the Authority or the Trustee with respect to any consent or other action to be taken by such Bondholders, an Authorized Officer of the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

The Authority hereby authorizes the Treasurer, by and on behalf of the Authority, and in consultation with an Authorized Officer of the Authority, to determine from time to time, subject to confirmation and ratification by the Authority, whether or not it is advisable for the Authority to continue the Book-Entry System or to replace DTC with another qualified securities depository as successor to DTC.

215. Application of Proceeds of Series 2007 State Contract Bonds.

The proceeds of the Series 2007 State Contract Bonds shall be applied simultaneously with the delivery of such Series 2007 State Contract Bonds as follows, all as more specifically set forth in the Series Certificate:

(i) There shall be sent by wire transfer directly from the Manager to each provider of a policy of municipal bond insurance authorized pursuant to Section 211(f) an amount, if any, as shall be specified in the Series Certificate constituting the premium for such policy or policies;

(ii)A. There shall be deposited in the Series 2007-1 Program Fund in a Costs of Issuance account established therein an amount as specified in the 2007-1 Series Certificate to be applied to pay costs of issuance of the Series 2007-1 Bonds.

B. There shall be deposited in the 2007-2 Program Fund in a Cost of Issuance Account established therein an amount as specified in the 2007-2 Series Certificate to be applied to pay costs of issuance of the Series 2007-2 Bonds.

(iii)A. The remaining balance of the proceeds of the Series 2007-1 Bonds shall be deposited in, and any and all amounts remaining in the Cost of Issuance Account in the 2007-1 Program Fund after the application thereof to pay costs of issuance of the Series 2007-1 Bonds shall be transferred from such Cost of Issuance Account and deposited in, the 2007-1 Program Fund to be applied as set forth in the 2007-1 Series Certificate to satisfy the Outstanding Bonded Indebtedness of the Borrower.

B. The remaining balance of the proceeds of the Series 2007-2 Bonds shall be deposited in, and any and all amounts remaining in the Cost of Issuance Account in the 2007-2 Program Fund after the application thereof to pay costs of issuance of the Series 2007-2 Bonds shall be transferred from such Cost of Issuance Account and deposited in, the 2007-2 Program Fund to be applied as set forth in the 2007-2 Series Certificate to satisfy the Outstanding Bonded Indebtedness of the Borrower.

216. Appointment of Trustee/Bond Registrar/Paying Agent.

The Bank of New York, with offices in West Paterson, New Jersey, is hereby appointed Trustee, Bond Registrar and Paying Agent under this Resolution.

217. Form of Bonds and Trustee's Certificate of Authentication.

Subject to the provisions of this Resolution, the form of the Bonds and the Trustee's Certificate of Authentication therefor shall be of substantially the following tenor, with such variations, omissions and insertions as are required or permitted by this Resolution.

(Form of Bond)

R- _____

**UNITED STATES OF AMERICA
STATE OF NEW JERSEY
NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
STATE CONTRACT BONDS
(HOSPITAL ASSET TRANSFORMATION PROGRAM -
ST. MARY’S HOSPITAL, PASSAIC, N.J. ISSUE)
SERIES _____**

THE STATE OF NEW JERSEY (THE “STATE”) IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE RESOLUTION AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE RESOLUTION FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY AGENCY OR INSTRUMENTALITY THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF.

REGISTERED OWNER: CEDE & CO.
PRINCIPAL SUM: \$ _____
INTEREST RATE: _____ %
MATURITY DATE: _____
DATED DATE: _____ Date of Delivery
CUSIP: _____

The NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (hereinafter called the “Authority”), a body corporate and politic with corporate succession, constituting a political subdivision organized and existing under and by virtue of the laws of the State of New Jersey (the “State”), acknowledges itself indebted and for value received hereby promises to pay to the Registered Owner named above, or registered assigns, on the Maturity Date stated above, upon presentation and surrender of this bond at the principal corporate trust office of the Trustee hereinafter mentioned, in lawful money of the United States of America, the Principal Sum set forth above and to pay interest thereon until the Principal Sum is paid from the most recent interest payment date next preceding the date of authentication hereof, unless the date of authentication hereof is an interest payment date, in which case from the date of authentication hereof, or unless the date of authentication hereof is prior to the first interest payment, in which case from _____, 20__ or unless the date of authentication hereof is between a record date for such interest, which shall be the fifteenth (15th) day (whether or not a business day) of the calendar month next preceding an interest payment date, and the next succeeding interest payment date, in which case from such interest payment date, at the Interest Rate stated above, payable _____ 1, 20__, and semi-annually thereafter on the first day of ____ and _____ of each year. Payment of the interest on this bond shall be paid by check or draft and mailed to the registered owner hereof at the address of such registered owner as it shall appear on the registration books of the Authority, which shall be kept at the principal corporate trust office of the Trustee hereinafter mentioned, at the close of business on the record date for such interest, which shall be the fifteenth (15th) day (whether or not a business day) of the calendar month next preceding such interest payment date. The principal of this bond is payable upon surrender at the principal corporate trust office of The Bank of New York, West Paterson, New Jersey, the Trustee, Paying Agent and Bond Registrar. However, so long as the Bonds are registered in the name of Cede, the procedures of DTC shall govern repayment of principal of and interest on the Bonds. This bond is one of a duly authorized issue of bonds of the Authority designated “New Jersey Health Care Facilities Financing Authority State Contract Bonds (Hospital Asset Transformation Program -St. Mary’s Hospital, Passaic, New Jersey Issue) Series _____” (the “Bonds”), which have been duly issued by the Authority under and pursuant to the laws of the State of New Jersey, particularly the New Jersey Health Care Facilities Financing Authority Law,

P.L. 1972, c.29 N.J.S.A. 26:21-1 et seq., as amended (the "Act") and pursuant to the Hospital Asset Transformation Program Bond Resolution (St. Mary's Hospital, Passaic, N.J. Issue) adopted by the Authority on February 8, 2007, as amended and supplemented from time to time (the "Resolution"). This bond and the issue of which it is a part is a special and limited obligation of the Authority payable from, and secured as to payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions of the Resolution solely by, the Pledged Property, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. Pledged Property under the Resolution includes the State Contract, the Revenues and the amounts and Investment Securities on deposit in the Funds (other than the Program Fund and the Rebate Fund). ALL AMOUNTS PAYABLE UNDER THE STATE CONTRACT ARE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE NEW JERSEY STATE LEGISLATURE (THE "STATE LEGISLATURE"). THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS.

Reference to this Resolution and any and all resolutions supplemental thereto and any modifications and amendments thereof and to the Act is made for a description of the nature and extent of the security for the Bonds, the funds pledged for the payment thereof, the nature manner and extent of the enforcement of such pledge, the rights and remedies of the holders of the Bonds with respect thereto, the terms and conditions upon which the Bonds are issued and upon which they may be issued thereunder, and a statement of the rights, duties, immunities and obligations of the Authority and of the Trustee. Certified copies of the Resolution are on file in the principal corporate trust office of the Trustee and in the office of the Authority.

This bond is one of an authorized issue of up to \$50,000,000, all of like date and tenor except as to number, interest rate, maturity date, denomination and redemption provisions, issued to obtain funds to satisfy the outstanding bonded indebtedness of St. Mary's Hospital, Passaic, N.J. in connection with the Hospital Asset Transformation Program as set forth in the Act.

Pursuant to the Resolution, the Authority may hereafter issue refunding bonds (herein called "Refunding Bonds") for the purposes, in the amounts and on the conditions prescribed in the Resolution. All bonds issued and to be issued under the Resolution, including Refunding Bonds, are and will be equally secured by the pledge of funds and Revenues provided in the Resolution except as otherwise provided in or pursuant to the Resolution.

The Bonds maturing on or before _____ 1, 20__ will not be subject to redemption prior to their stated maturity dates. The Series 2007 State Contract Bonds maturing on _____ 1, 20__ or thereafter will be subject to redemption prior to their stated maturity dates at the option of the Authority, on any date on or after _____ 1, 20__, either in whole or in part by lot within a maturity from maturities selected by an Authorized Officer of the Authority, at a redemption price of _____ percent (____%) of the redemption price thereof plus accrued interest thereon to the date fixed for redemption.

[The Bonds are subject to mandatory sinking fund redemption.]

A notice of redemption shall be given at least once not less than thirty days nor more than sixty (60) days prior to the redemption date. The Authority shall mail a copy of such notice, postage prepaid, not less than thirty (30) days prior to such redemption date, to the Registered Owner of any Bonds all or a portion of which are to be redeemed, at his or her last address, if any, appearing upon the registration books of the Authority held by the Registrar. If notice of redemption shall have been given as aforesaid, the Bonds which are specified in said notice shall become due and payable at the applicable Redemption Price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the Redemption Price of all of the Bonds which are to be redeemed, together with interest accrued thereon to the redemption date, shall be available for such payment on said date, then from and after the redemption date, interest on such Bonds shall cease to accrue and become payable to the holders who are entitled to receive payment thereof upon such redemption.

To the extent and in the respects permitted by the Resolution, the provisions of the Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended by action taken on behalf of the Authority in the manner and subject to the conditions and exceptions which are set forth in the Resolution. The pledge of moneys and securities and other obligations of the Authority under the terms of the Resolution may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms set forth in the Resolution.

This bond is transferable, as provided in the Resolution, only upon the registration books of the Authority which are kept and maintained for that purpose at the principal corporate trust office of the Bond Registrar, or its successor as Bond Registrar, by the Registered Owner hereof in person or by his or her attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer which is satisfactory to the Bond Registrar and which is duly executed by the Registered Owner or by such duly authorized attorney, together with the required signature guarantee, and thereupon the Authority shall issue in the name of the transferee a new registered bond or bonds, of

the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered bond as provided in the Resolution upon payment of the charges therein prescribed. The Authority, the Trustee, the Bond Registrar and any Paying Agent of the Authority may treat and consider the person in whose name this bond is registered as the Holder and absolute owner of this bond for the purpose of receiving payment of the principal or Redemption Price of and interest due thereon and for all other purposes whatsoever.

The Authority is obligated to pay the principal or Redemption Price hereof and interest hereon only from the Revenues and other funds pledged under the Resolution. Neither the State nor any political subdivision thereof (except the Authority to the limited extent set forth in the Resolution) is obligated to pay the principal or Redemption Price hereof or interest hereon. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal or Redemption Price hereof or the interest hereon.

No covenant or agreement contained in this bond shall be deemed to be the covenant or agreement of any member, officer, attorney, agent or employee of the Authority or the State in an individual capacity. No recourse shall be had for the payment of the principal of, premium, if any, and interest on this bonds against any member, officer, attorney, agent or employee of the Authority or the State, past, present or future, or any successor body or their heirs, personal representatives, successors, as such, either directly or through the Authority or the State, or any such successor body, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, of such liability being hereby released as a condition of and as a consideration for the execution and delivery of this bond, as provided in the Resolution.

THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE RESOLUTION AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE RESOLUTION FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY AGENCY OR INSTRUMENTALITY THEREOF, EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF.

THE INCURRENCE OF ANY OBLIGATION BY THE STATE OR THE TREASURER UNDER THE STATE CONTRACT, INCLUDING ANY AND ALL TRANSFERS AND PAYMENTS TO BE MADE THEREUNDER FROM THE GENERAL FUND OF THE STATE, SHALL BE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE LEGISLATURE FOR THE PURPOSES SET FORTH THEREIN AND IN ACT. THE OBLIGATION OF THE STATE OR THE TREASURER TO PAY THE AMOUNTS PROVIDED FOR IN THE STATE CONTRACT SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE AND SHALL BE DEEMED EXECUTORY ONLY TO THE EXTENT OF MONEYS APPROPRIATED, AND NO LIABILITY SHALL BE INCURRED BY THE STATE OR THE TREASURER BEYOND THE MONEYS THEN APPROPRIATED.

It is hereby certified, recited and declared by the Authority that all acts, conditions and things required by the constitution and statutes of the State of New Jersey and the Resolution to exist, to happen and to be performed precedent to and in the issuance of the Bonds of the issue of which this bond is a part in order to make them the legal, valid and binding obligations of the Authority in accordance with their terms, exist, have happened and have been performed in regular and due time, form and manner as required by law, and that the issuance of such Bonds does not exceed or violate any constitutional, statutory or other limitation upon the amount of the bonded indebtedness of the Authority.

This bond shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this bond shall have been authenticated by the execution by the Trustee, or by any authenticating agent of the Trustee approved by the Authority of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, the New Jersey Health Care Facilities Financing Authority has caused this bond to be executed in its name by the manual or facsimile signature of its Chairman or Vice Chairman and its corporate seal

(or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the manual or facsimile signature of its Executive Director or Assistant Secretary, all as of the Dated Date hereof.

[SEAL]

NEW JERSEY HEALTH CARE
FACILITIES FINANCING
AUTHORITY

By: _____
Name: _____
Title: _____

ATTEST:

By: _____
Name: _____
Title: _____

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds described in and secured by the within-mentioned Resolution.
_____, as Trustee

By: _____
Authorized Signature

Date of Authentication: _____, _____

ASSIGNMENT

FOR VALUE RECEIVED, _____ hereby sells,
assigns and transfers unto _____
the within Bond issued by the New Jersey Health Care Facilities Financing
Authority, and all rights thereunder, hereby irrevocably appointing _____
attorney to transfer said Bond on the bond register, with full power of substitution in
the premises.

Dated: _____
Signature Guaranteed: _____

Notice: The Assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular without alteration or any change whatever.

**ARTICLE III
GENERAL TERMS AND PROVISIONS OF BONDS
AND OTHER OBLIGATIONS**

301. Medium of Payment; Form and Date; Letters and Numbers.

The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

The Bonds of each Series may be issued only in the form of fully registered Bonds without coupons, and unless otherwise authorized by a Supplemental Resolution, the Bonds of each Series shall be in substantially the form set forth in Section 1301 or substantially in the form set forth in the Supplemental Resolution authorizing such Series or Series Certificate relating thereto.

Each Bond shall be lettered and numbered as provided in this Resolution or the Supplemental Resolution authorizing the Series or Series Certificate relating thereto of which such Bond is a part and so as to be distinguished from every other Bond.

Except as may be otherwise provided for any Series of Bonds in the Supplemental Resolution authorizing such Series of Bonds or Series Certificate relating thereto, the Bonds of each Series shall be dated as of the Interest Payment Date next preceding the date of authentication thereof by the Trustee, unless such date of authentication shall be an Interest Payment Date, in which case they shall be dated as of such date of authentication; provided, however, that if, as shown by the records of the Trustee, interest on the Bonds of any Series shall be in default, the Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered; provided, further, that if the date of authentication shall be prior to the first Interest Payment Date for the Bonds of such Series, Bonds shall be dated as provided in the applicable Supplemental Resolution or Series Certificate. Bonds of each Series shall bear interest from their date.

302. Legends.

The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by an Authorized Officer of the Authority prior to the authentication and delivery thereof.

303. Execution and Authentication.

The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chair or Vice Chair and its seal (or a facsimile thereof), if any, shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary, or in such other manner as may be required or permitted by law. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officers before the Bonds so signed and sealed shall have been authenticated and delivered by the Trustee, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond may be signed and sealed on behalf of the Authority by such persons as at the time of the execution and authentication of such Bonds shall be duly authorized or hold the proper office in the Authority, although at the date borne by the Bonds of such Series such persons may not have been so authorized or have held such office.

The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in Section 217, executed manually by the Trustee. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under this Resolution, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the Authority shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Resolution and that the Holder thereof is entitled to the benefits of this Resolution.

304. Exchange, Transfer and Registry.

The Bonds shall be transferable only upon the books of the Authority, which shall be kept for such purposes at the principal corporate trust office of the Bond Registrar, by the registered owner thereof in person or by such registered owner's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or such registered owner's duly authorized attorney. Upon the transfer of any Bond an Authorized Officer of the Authority shall issue

in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond.

The registered owner of any Bond or Bonds of one or more denominations shall have the right to exchange such Bond or Bonds for a new Bond or Bonds of any denomination as the same aggregate principal amount and Series and maturity of the surrendered Bond or Bonds. Such Bond or Bonds shall be exchanged by an Authorized Officer of the Authority for a new Bond or Bonds upon the request of the registered owner thereof in person or by such registered owner's attorney duly authorized in writing, upon surrender of such Bond or Bonds together with a written instrument requesting such exchange satisfactory to the Bond Registrar duly executed by the registered owner or such registered owner's duly authorized attorney.

The Authority and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of the Authority as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon such registered owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary.

305. Regulations with Respect to Exchanges and Transfers.

In all cases in which the privilege of exchanging or transferring Bonds is exercised, an Authorized Officer of the Authority shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchange or transfer shall forthwith be delivered to the Trustee and cancelled by the Trustee. For every such exchange or transfer of Bonds, whether temporary or definitive, the Authority or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Authority nor the Bond Registrar shall be required (a) to exchange or transfer Bonds of any Series for a period beginning on the Record Date next preceding an Interest Payment Date for Bonds of a particular Series and ending on such interest payment date, or for a period of fifteen days next preceding the date (as determined by the Trustee) of any selection of Bonds to be redeemed and thereafter until after the mailing of the notice of redemption, or (b) to transfer or exchange any Bonds called for redemption.

306. Bonds Mutilated, Destroyed, Stolen or Lost.

If any Bond becomes mutilated or is lost, stolen or destroyed, an Authorized Officer of the Authority may execute and the Trustee shall authenticate and deliver a new Bond of like date of issue, maturity date, principal amount and interest rate per annum as the Bond so mutilated, lost, stolen or destroyed, provided that (i) in the case of such mutilated Bond, such Bond is first surrendered to the Authority, (ii) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory an Authorized Officer of to the Authority together with indemnity satisfactory to the Authority and the Trustee, (iii) all other reasonable requirements of an Authorized Officer of the Authority are complied with, and (iv) expenses in connection with such transaction are paid by the Holder. Any Bond surrendered for transfer shall be cancelled. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Authority, whether or not the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this Resolution, in any moneys or securities held by the Authority or any Fiduciary for the benefit of the Bondholders.

307. Temporary Bonds.

Until the definitive Bonds of any Series are prepared, an Authorized Officer of the Authority may execute, in the same manner as is provided in Section 303, and upon the request of an Authorized Officer of the Authority, the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Trustee shall prepare and may execute and, upon the surrender of such temporary Bonds for exchange and the cancellation of such surrendered temporary Bonds, the Trustee shall authenticate and, without charge to the Holder thereof, deliver in exchange therefor, definitive Bonds of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to this Resolution.

All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

308. Cancellation and Destruction of Bonds.

All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with all Bonds redeemed or purchased pursuant to Section 506 which have been delivered to the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled shall be destroyed by the Trustee, which shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the bonds so destroyed, and one executed certificate shall be filed with the Authority and the other executed certificate shall be retained by the Trustee.

309. Other Obligations.

The general terms and provisions of any Other Obligations issued under this Resolution, including, but not limited to, any or all of the items set forth in this Article III with respect to the issuance of Bonds, shall be as set forth in the Supplemental Resolution or Series Certificate authorizing the issuance of such Other Obligations.

**ARTICLE IV
REDEMPTION OF BONDS**

401. Privilege of Redemption and Redemption Price.

Bonds subject to redemption prior to maturity pursuant to a Supplemental Resolution or a Series Certificate shall be redeemable, upon notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms in addition to the terms contained in this Article IV as may be specified in the Supplemental Resolution or Series Certificate authorizing such Series.

402. Redemption at the Election or Direction of the Authority.

In the case of any redemption of Bonds at the election or direction of an Authorized Officer of the Authority, an Authorized Officer of the Authority shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by an Authorized Officer of the Authority in its sole discretion, subject to any limitations with respect thereto contained in this Resolution). Such notice shall be given at least forty (40) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 405 provided, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed. An Authorized Officer of the Authority shall promptly notify the Trustee in writing of all such payments by it to such Paying Agents.

403. Redemption Otherwise Than at the Authority's Election or Direction.

Whenever by the terms of this Resolution the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the Authority, the Trustee shall (i) select the Bonds or portions of Bonds to be redeemed, (ii) give the notice of redemption and (iii) pay out of moneys available therefor the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Article IV and, to the extent applicable, Section 506.

404. Selection of Bonds to be Redeemed.

Unless otherwise provided in this Resolution, if less than all of the Bonds of like maturity of any Series shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing by \$5,000 the principal amount of such Bond to be redeemed in part.

405. Notice of Redemption.

When the Trustee shall receive notice from an Authorized Officer of the Authority of its election or direction to redeem Bonds pursuant to Section 402, and when redemption of Bonds is authorized or required pursuant to Section 403, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of

the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, postage prepaid, not less than twenty-five (25) days prior to the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure of the registered owner of any Bonds which are to be redeemed to receive any notice, or failure of the Authority to publish notices of redemption as provided in the immediately preceding sentence, shall not affect the validity of the proceedings for the redemption of the Bonds.

406. Payment of Redeemed Bonds.

Notice having been given in the manner provided in Section 405, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Bond, an Authorized Officer of the Authority shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series and maturity in any authorized denominations. If, on the redemption date, moneys for the redemption of all of the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

407. Adjustment of Sinking Fund Installments Upon Redemption of Bonds.

Upon any purchase or redemption (other than mandatory sinking fund redemption) of less than all of the Bonds of any Series and maturity for which sinking fund redemption provisions shall have been established, there shall be credited toward each such sinking fund installment thereafter to become due an amount, unless otherwise designated by an Authorized Officer of the Authority, bearing the same ratio to such sinking fund installment as the total principal amount of Bonds of such Series and maturity being purchased or redeemed bears to the then Outstanding principal amount of Bonds of such Series and maturity.

408. Redemption or Prepayment of Other Obligations.

Other Obligations shall be subject to redemption or prepayment at such times, if any, and subject to such terms and conditions as shall be set forth in the Supplemental Resolution or Series Certificate authorizing such Other Obligations.

ARTICLE V

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

501. The Pledge Effected by this Resolution.

The Bonds are special, limited obligations of the Authority payable solely from the Pledged Property. There is hereby pledged and assigned as security for the payment of the Authority's Bond Payment Obligations and, to the extent provided in Section 103 and any Supplemental Resolution authorizing a Series of Bonds, the Authority's Financing Facility Payment Obligations in accordance with the priorities set forth in Section 103 and the Supplemental Resolution authorizing such Series of Bonds, subject only to the provisions of this Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in this Resolution, all of the Pledged Property and, with respect to each Series of Bonds with respect to which the Authority has obtained a Financing Facility, the applicable Financing Facility and Financing Facility Revenues.

All Pledged Property and Financing Facility Revenues shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such persons have notice thereof.

Nothing contained in this Section 501 shall be deemed a limitation upon the authority of the Authority to issue bonds, notes or other obligations under the Act secured by other income and funds other than the Pledged Property, including, without limitation, bonds, notes or other obligations secured by federal or State grants.

Notwithstanding the pledge effected by this Resolution or any provision of this Resolution, all amounts payable under the State Contract by the Treasurer shall be subject to and dependent upon appropriations being made from time to time for such purposes by the New Jersey State Legislature. The State Legislature has no legal obligation to make such appropriations.

THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THIS RESOLUTION AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THIS RESOLUTION FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY AGENCY OR INSTRUMENTALITY THEREOF, EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF.

THE INCURRENCE OF ANY OBLIGATION BY THE STATE OR THE TREASURER UNDER THE STATE CONTRACT, INCLUDING ANY AND ALL TRANSFERS AND PAYMENTS TO BE MADE THEREUNDER FROM THE GENERAL FUND OF THE STATE, SHALL BE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE LEGISLATURE FOR THE PURPOSES SET FORTH THEREIN AND IN THE ACT. THE OBLIGATION OF THE STATE OR THE TREASURER TO PAY THE AMOUNTS PROVIDED FOR IN THE STATE CONTRACT SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE AND SHALL BE DEEMED EXECUTORY ONLY TO THE EXTENT OF MONEYS APPROPRIATED, AND NO LIABILITY SHALL BE INCURRED BY THE STATE OR THE TREASURER BEYOND THE MONEYS THEN APPROPRIATED.

502. Establishment of Funds and Accounts.

The following Funds and Accounts are hereby established:

(1) Program Funds, (a) one for the Series 2007-1 Bonds (the "2007-1 Program Fund"); and (b) one for the Series 2007-2 Bonds (the "2007-2 Program Fund"), each to be held by the Trustee. There shall be established in each Program Fund a Cost of Issuance Account and there may be established in each Program Fund such other Accounts and/or subaccounts as set forth pursuant to a Supplemental Resolution;

(2) Revenue Fund, to be held by the Trustee;

(3) Debt Service Fund, to be held by the Trustee; and

(4) Rebate Fund, to be held by the Trustee.

503. Program Fund.

There shall be paid into each Program Fund the amounts required to be so paid by the provisions of this Resolution or Series Certificate, and there may be paid into each Program Fund, at the option of an Authorized Officer of the Authority, any moneys received by the Authority from any source, unless required to be otherwise applied as provided by this Resolution or Series Certificate. All amounts remaining in the Program Funds after payments have been made as set forth in a Supplemental Resolution or the Series Certificate shall be transferred to the Debt Service Fund.

504. Deposit of Revenues.

All Revenues shall be promptly deposited by the Authority upon receipt thereof into the Revenue Fund. All amounts deposited in the Revenue Fund shall be used and applied by the Authority in accordance with the Act, this Resolution and any Supplemental Resolution or Series Certificate.

505. Payments into Certain Funds.

On or before each Payment Date with respect to each Series of Bonds, the Authority shall pay, credit or transfer from the Revenue Fund to the Trustee the following amounts to be applied as follows in the following order of priority:

(1) for deposit to the Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the sum of the amounts of Debt Service on all Series of Bonds coming due on such Payment Date; and

(2) for deposit into the Debt Service Fund, the amount of any Financing Facility Payment Obligations on or before the due dates thereof.

Reserved.

Notwithstanding the foregoing, all Financing Facility Revenues shall be deposited in the Debt Service Fund and applied as provided in the Supplemental Resolution or Series Certificate applicable to the Series of Bonds for which such Financing Facility is applicable.

An Authorized Officer of the Authority and the Trustee shall transfer to the Rebate Fund such amounts, from such Funds and Accounts and at such times as set forth in a certificate by the Authority as necessary to comply with the provisions of the Code.

506. Debt Service Fund.

The Trustee shall pay out of the Debt Service Fund to the respective Paying Agents (i) on or before each Interest Payment Date for any of the Bonds, the amount required for the interest payable on such date; (ii) on or before the date when the principal of any Bonds shall become due, the amount of principal coming due on such date; and (iii) on or before any redemption date for the Bonds, the amount required for the payment of the Redemption Price of and interest on the Bonds then to be redeemed. The Trustee shall also pay out of the Debt Service Fund the accrued interest included in the purchase price of Bonds purchased for retirement.

Amounts may be deposited by the Authority, in its sole discretion in the Debt Service Fund with respect to the Bonds of any Series and maturity to be applied by the Trustee, if so directed by an Authorized Officer of the Authority, on the date specified by an Authorized Officer of the Authority, which date shall be at least twenty-five (25) days (or such shorter period as shall be acceptable to the Trustee or authorized in the applicable Supplemental Resolution or Series Certificate) prior to the maturity date of any Bonds of such Series, to (i) the purchase of Bonds of such Series and maturity or (ii) the redemption at the applicable Redemption Price of such Bonds, if then redeemable by their terms. All purchases of any Bonds pursuant to this subsection (b) shall be made at prices not exceeding the applicable Redemption Price of such Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed in writing from time to time by an Authorized Officer of the Authority.

The amount, if any, deposited in the Debt Service Fund from the proceeds of each Series of Bonds shall be set aside in such Fund and applied to the payment of interest on the Bonds of such Series as the same become due and payable.

In the event of the refunding of any Bonds, the Trustee shall, if an Authorized Officer of the Authority so directs, withdraw from the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to subsection (b) of Section 1201.

The Trustee shall establish within the Debt Service Fund a separate Account for each Series of Bonds. In addition, if provided in the Supplemental Resolution or Series Certificate authorizing any Series of Bonds with respect to which the Authority or the Trustee enters into or obtains a Financing Facility, the Trustee shall establish separate subaccounts within the Account established for the Bonds of such Series in the Debt Service Fund for the receipt and/or application of Financing Facility Revenues and the payment of the applicable Financing Facility Payment Obligations as soon as reasonably practicable.

507. Reserved.

508. Rebate Fund.

The Trustee shall apply such amounts to make payments to the United States pursuant to Section 148 of the Code, at the times and in the amounts set forth in a certificate from an Authorized Officer of the Authority.

**ARTICLE VI
SECURITY FOR DEPOSITS
AND INVESTMENT OF FUNDS**

601. Moneys Held as Trust Funds.

All moneys held by the Trustee under the provisions of this Resolution shall constitute trust funds. All moneys deposited under the provisions of this Resolution with the Trustee shall be held in trust and applied only in accordance with the provisions of this Resolution, and each of the Funds and Accounts established by this Resolution shall be a trust fund for the purposes thereof.

602. Deposits.

All Revenues, Financing Facility Revenues, and moneys held by the Trustee under this Resolution may be placed on demand or time deposit, if and as directed by an Authorized Officer of the Authority, provided

that such deposit shall permit the moneys so held to be available for use at the time when needed. The Trustee shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

All moneys held under this Resolution by the Trustee shall be (a) either (1) insured by the Federal Deposit Insurance Corporation, as available or (2) in the case of moneys held by the Trustee in the Debt Service Fund, continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, Federal Securities having a market value not less than the amount of such moneys, and (b) held in such other manner as may then be required by applicable Federal or State of New Jersey laws and regulations and applicable state laws and regulations of the state in which the Trustee is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that, to the extent permitted by law, it shall not be necessary for the Trustee to give security under this subsection (b) for the deposit of moneys with them held in trust and set aside by them for the payment of the principal or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

All moneys deposited with the Trustee shall be credited to the particular Fund or Account to which such moneys belong and, except as provided with respect to the investment of moneys in Investment Securities in Section 603 hereof, the moneys credited to each particular Fund or Account shall be kept separate and apart from, and not commingled with, any moneys credited to any other Fund or Account or any other moneys deposited with the Trustee.

603. Investment of Certain Funds.

Moneys held in the Debt Service Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Federal Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund. Moneys held in the Program Fund may be invested and reinvested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund. The Trustee shall make all such investments of moneys held by it in accordance with written instructions from time to time received from any Authorized Officer of the Authority. In making any investment in any Investment Securities with moneys in any Fund or Account established under this Resolution, an Authorized Officer of the Authority may instruct the Trustee to combine such moneys with moneys in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned or any gain realized on any moneys or investments in such Funds or Accounts shall be held for the benefit of the Debt Service Fund and shall be paid into, or remain in, the Debt Service Fund on a periodic basis at least quarterly as shall be directed by an Authorized Officer of the Authority.

Nothing in this Resolution shall prevent any Investment Securities acquired as investments of or security for funds held under this Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

Nothing in this Resolution shall preclude the Trustee from investing or reinvesting moneys through its bond department; provided, however, that an Authorized Officer of the Authority may, in its discretion, direct that such moneys be invested or reinvested in a manner other than through such bond department.

604. Valuation and Sale of Investments.

Obligations purchased as an investment of moneys in any Fund or Account created under the provisions of this Resolution shall be deemed at all times to be a part of such Fund or Account and any profit realized from the liquidation of such investment shall be credited to such Fund or Account, and any loss resulting from the liquidation of such investment shall be charged to the respective Fund or Account.

In computing the amount in any Fund or Account created under the provisions of this Resolution for any purpose provided in this Resolution, obligations purchased as an investment of moneys therein shall be valued at the amortized cost thereof. The accrued interest paid in connection with the purchase of any obligation shall be included in the value thereof until interest on such obligation is paid. Such computation shall be determined as of January 1 in each year and at such other times as the Authority shall determine.

Except as otherwise provided in this Resolution, the Trustee shall use its best efforts to sell at the best price obtainable, or present for redemption, any obligation so purchased as an investment whenever it shall be requested in writing by an Authorized Officer of the Authority so to do. Whenever it shall be necessary, or upon direction of an Authorized Officer of the Authority in accordance with this Resolution, in order to provide moneys to meet any payment or transfer from any Fund or Account held by the Trustee, the Trustee shall use its best efforts

to sell at the best price obtainable or present for redemption such obligation or obligations designated by an Authorized Officer of the Authority necessary to provide sufficient moneys for such payment or transfer.

Neither the Trustee nor the Authority shall be liable or responsible for any loss resulting from any such investment, sale or presentation for investment made in the manner provided above.

605. Swap Agreements; Financing Facilities.

Prior to entering into any Swap Agreement or obtaining any Financing Facility, the Authority must first receive the prior written consent of the State Treasurer.

**ARTICLE VII
PARTICULAR COVENANTS OF THE AUTHORITY**

The Authority covenants and agrees with the Trustee and the Bondholders as follows:

701. Payment of Bonds.

The Authority shall duly and punctually pay or cause to be paid, but solely from the Pledged Property, (a) the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, (b) the amount of every Financing Facility Payment Obligation as and when the same become due.

702. Extension of Payment of Bonds.

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under this Resolution, to the benefit of this Resolution or to any payment out of Revenues or Funds established by this Resolution, including the investments, if any, thereof, pledged under this Resolution or the moneys (except moneys held in trust for the payment of particular Bonds or claims for interest pursuant to this Resolution) held by the Fiduciaries, except subject to the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Authority to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

703. Offices for Servicing Bonds.

The Authority hereby appoints the Trustee as Bond Registrar, and the Trustee shall at all times maintain one or more agencies where Bonds may be presented for registration or transfer and where notices, demands and other documents may be served upon the Authority in respect of the Bonds or of this Resolution, and the Trustee shall continuously maintain or make arrangements to provide such services. The Authority hereby appoints the Paying Agent or Agents in such cities as its respective agents to maintain such agencies for the payment or redemption of Bonds.

704. Further Assurance.

At any and all times the Authority shall, as far as it may be authorized by law, comply with any reasonable request of the Trustee to pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and other moneys, securities and funds hereby pledged, or intended so to be, or which the Authority may become bound to pledge.

705. Power to Issue Bonds, Pledge of Pledged Property.

The Authority is duly authorized under all applicable laws to create and issue the Bonds and to adopt this Resolution and to pledge the Pledged Property in the manner and to the extent provided in this Resolution. The Pledged Property so pledged is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with the pledge and assignment created by this Resolution, and all action on the part of the Authority to that end has been and will be duly and validly taken. The Bonds and the provisions of this Resolution are and will be the valid and legally binding obligations of the Authority. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property pledged under this Resolution and all the rights of the Bondholders under this Resolution against all claims and demands of all persons whomsoever.

706. Creation of Liens.

The Authority shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a pledge or assignment of the Pledged Property held or set aside by the Trustee under this Resolution and shall not create or cause to be created any lien or charge on the Pledged

Property, provided, however, that nothing contained in this Resolution shall prevent the Authority from issuing, if and to the extent permitted by law evidences of indebtedness payable out of or secured by a pledge and assignment of the Pledged Property on and after such date as the pledge of the Pledged Property provided in this Resolution shall be discharged and satisfied as provided in Section 1201.

707. State Contract.

The Authority shall collect and forthwith cause to be deposited with the Trustee all amounts, if any, payable to it pursuant to the State Contract. The Authority shall enforce the provisions of the State Contract and agreements thereunder. The Authority will not consent or agree to or permit any amendment, change or modification to any State Contract which would reduce the amounts payable to the Authority or extend the times when such payments are to be made thereunder. A copy of the State Contract certified by an Authorized Officer of the Authority shall be filed with the Trustee, and a copy of any amendment thereto certified by an Authorized Officer of the Authority shall be filed with the Trustee.

708. Accounts and Reports.

The Trustee shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in accordance with generally accepted accounting principles in which complete and correct entries shall be made of its transactions relating to the amount of Revenues and the application thereof and each Fund or Account established under this Resolution.

The Trustee shall advise the Authority as soon as practicable after the end of each month of the respective transactions during such month relating to each Fund or Account held by it under this Resolution.

The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of this Resolution shall be available for the inspection of Bondholders at the office of the Trustee and shall be mailed to each Bondholder who shall file a written request therefor with the Authority. The Authority and the Trustee may charge to each Bondholder requesting such reports, statements and other documents a reasonable fee to cover reproduction, handling and postage.

709. Compliance with Resolution and Act and Other Matters.

Upon the date of authentication and delivery of any of the Bonds, all conditions, acts and things required by law and this Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds shall exist, have happened and have been performed, and the issue of such Bonds, together with all other obligations of the Authority, shall comply in all respects with the applicable laws of the State of New Jersey.

710. Swap Agreements and Financing Facilities.

Subject to Section 711, the Authority shall maintain in full force and effect, and duly and punctually perform its obligations under, any Swap Agreement or agreement entered into by it in connection with the issuance of any Financing Facility, including the payment when due, but solely from the Pledged Property, of all Financing Facility Payment Obligations and Swap Payment Obligations.

711. Obligation to Enforce Swap Agreements and Financing Facilities.

Irrespective of whether an Event of Default shall have occurred or be continuing, the Trustee shall take any and all action necessary or appropriate to enforce, on behalf of the Authority and for the benefit of the Bondholders, all rights of the Authority under any Financing Facility to which the Authority or the Trustee is a party, and notwithstanding anything to the contrary contained herein, the Authority shall have no obligation whatsoever to take any action to enforce the provisions of any such Financing Facility. In the event of the transfer, assignment or other conveyance of any Swap Agreement in accordance with its terms by the Swap Provider thereof or the substitution of a new Financing Facility Provider for any then existing Financing Facility Provider, the Trustee shall promptly notify the Authority and the Rating Agencies of the name and address of the new Financing Facility Provider and any modifications, amendments or supplements to the terms of the existing Financing Facility.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES OF BONDHOLDERS

801. Events of Default.

The following events shall constitute an Event of Default under this Resolution:

- (1) If default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise for a reason other than by reason of an Event of Non-Appropriation;

(2) If default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest shall become due and payable for a reason other than by reason of an Event of Non-Appropriation;

(3) Reserved;

(4) If default shall be made by the Authority in the performance or observance of any other covenants, agreements or conditions on its part in this Resolution or in the Bonds contained, and such default shall continue for a period of sixty (60) days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds Outstanding;

(5) Reserved;

(6) Reserved; or

(7) If, pursuant to the terms of any Financing Facility, the Trustee shall receive a notice from the issuer of such Financing Facility stating that an event of default has occurred in respect of the Authority's obligations under such Financing Facility and directing the Trustee to declare the principal of and interest on the applicable Bonds to be immediately due and payable, other than by reason of an Event of Non-Appropriation.

Upon the occurrence of an Event of Default, and so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, the Trustee may, and at the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds Outstanding shall, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in this Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of principal, Redemption Price and interest upon the Bonds, together with interest on such overdue installments to the extent permitted by law and the reasonable and proper fees, charges, expenses and liabilities of the Trustee, and all other sums then payable by the Authority under this Resolution (except the principal of, and interest accrued since the next preceding Payment Date on the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Authority or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under this Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Holders of twenty-five percent (25%) in principal amount of the Bonds Outstanding, by written notice to the Authority and the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of twenty-five percent (25%) in principal amount of the Bonds Outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default shall *ipso facto* be deemed to be annulled, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Notwithstanding the provisions of this Section 801, and unless otherwise provided in the applicable Supplemental Resolution, if an Event of Default described in subsection (b) above shall occur by reason of the failure by any Swap Provider to make any payment to the Authority or to the Trustee when due as required pursuant to the terms of the applicable Swap Agreement, neither the Trustee nor the Bondholders shall have any right to declare an acceleration of the Bonds as aforesaid unless and until there shall occur an early termination of the applicable Swap Agreement. If such Event of Default is cured (including, to the extent permitted by law, the payment of interest on overdue payments to the extent provided in the applicable Swap Agreement) prior to such early termination date (or on such date if the cure is effected by entering into a substitute Swap Agreement), no acceleration shall be declared with respect to such Event of Default and the Bonds shall remain Outstanding and in full force and effect.

An "Event of Non-Appropriation" with respect to the Bonds shall be deemed to have occurred under the State Contract, if the State Legislature shall fail to appropriate funds for any Fiscal Year in an amount

sufficient to pay when due its obligations under the State Contract. Notwithstanding anything contained in this Section 801 to the contrary, a failure by the Authority to pay when due any Bond Payment Obligations or Financing Facility Payment Obligations required to be made under this Resolution or the Bonds, or a failure by the Authority to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Resolution or the Bonds, resulting from the occurrence of an Event of Non-Appropriation shall not constitute an Event of Default under this Section 801.

802. Reserved.

803. Application of Pledged Property After Default.

The Authority covenants that if an Event of Default shall occur and shall not have been remedied, the Authority, upon the demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all Pledged Property then held by the Authority under this Resolution, and (ii) all Revenues which are not paid directly to the Trustee as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply the Pledged Property, including all moneys, securities, funds and Revenues received by the Trustee pursuant to any right given or action taken under the provisions of this Article together with all Funds held by the Trustee under this Resolution (other than the Rebate Fund) as follows and in the following order:

(1) Expenses of Fiduciaries -- to the payment of the reasonable and proper fees (including reasonable attorney's fees), charges, expenses and liabilities of the Fiduciaries;

(2) Principal or Redemption Price and Interest -- to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

(A) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment of interest then due on the Bonds and Financing Facility Obligations in the order of the maturity of the installments thereof then due, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest or Financing Facility Obligations maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each Bond, and Financing Obligations without priority or preference of any Bond or Financing Facility Obligations over any other;

Second: To the payment, to the extent permitted by law, of interest on the amounts described in Paragraph First of this Section 803 at the rate in effect on the applicable Bonds or Financing Facility Obligations, from the last Payment Date to which interest has been paid; and

Third: To the payment of the unpaid principal amount or Redemption Price of any Bonds or Financing Facility Obligations which shall have become due, whether at maturity or by call for mandatory sinking fund redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all Bonds or Financing Facility Obligations due on any date, then to the payment thereof ratably, according to the amounts due in respect of each Bond or Financing Facility Obligation, without priority or preference of any Bond or Financing Facility over any other.

(B) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; provided, however, that with respect to any Related Swap Bonds, interest shall be calculated at the fixed rate of interest (as set forth in the applicable Series Certificate and Swap Agreement) to be used in determining the Authority's Bond Payment Obligations in respect of the Related Swap Bonds and shall be applied, together with all amounts which would otherwise be payable in respect of the principal of any Related Swap Bonds, pro rata, to the payment of the principal of and interest on such Related Swap Bonds at the actual rate of interest then in effect and Swap Payment Obligations (including Swap Termination Payments) under such Swap Agreement.

(C) Notwithstanding the foregoing, to the extent provided in the applicable Supplemental Resolution or Series Certificate, Financing Facility Revenues shall be applied to the payment of principal or Redemption Price of, and interest on, the Bonds to which such Financing Facility relate, and amounts which would otherwise be paid to the holders of such Bonds shall be paid to the applicable Financing Facility Provider.

Reserved.

If and whenever all overdue installments of principal or Redemption Price of, and interest on, all Bonds and Financing Facility Payment Obligations, together with the reasonable and proper charges, fees (including reasonable attorneys' fees), expenses and liabilities of the Trustee, and all other sums payable by the Authority under this Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable, by declaration or otherwise shall either be paid by or for the account of the Authority, or provisions satisfactory to the Trustee shall be made for such payment, and all defaults under this Resolution or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of this Resolution to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee shall be restored, respectively, to their former positions and rights under this Resolution. No such payment over to the Authority by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under this Resolution or impair any right consequent thereon.

804. Application of Pledged Property After Event of Non-Appropriation.

From and after the occurrence of an Event of Non-Appropriation, and provided that there shall not have occurred and then be continuing any Default, all applicable Pledged Property received by the Trustee shall be applied as follows:

First, to the payment of any prior applicable Bond Payment Obligations which remain unpaid by reason of the occurrence of such Event of Non-Appropriation in the order in which such prior Bond Payment Obligations became due and payable, and, if the amount available shall not be sufficient to pay in full all the applicable Bond Payment Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price and interest due on such date, to the Persons entitled thereto, without discrimination or preference; and

Second, to the payment, to the extent permitted by law, of interest on the amounts described in Paragraph 1 above at the rate in effect on the applicable Bonds, from the last Payment Date to which interest has been paid.

805. Proceedings Brought by Trustee.

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Holders of the Bonds under this Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under this Resolution.

All rights of action under this Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof at the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

The Holders of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under this Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in this Resolution and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of twenty-five percent (25%) in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under this Resolution by any acts which may be unlawful or in violation of this Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

806. Restrictions on Bondholder's Action.

No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of this Resolution or the execution of any trust under this Resolution or for any remedy under this Resolution, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Holders of at least twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in this Resolution or by the Act or by the laws of the State of New Jersey or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, fees (including reasonable attorney's fees), expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, her, its or their action to affect, disturb or prejudice the pledge created by this Resolution, or to enforce any right under this Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of this Resolution shall be instituted, had and maintained in the manner provided in this Resolution and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 702.

807. Remedies Not Exclusive.

No remedy by the terms of this Resolution conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution or existing at law or in equity or by statute on or after the date of execution and delivery of this Resolution.

808. Effect of Waiver and Other Circumstances.

No delay or omission of the Trustee or any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Prior to the declaration of maturity of the Bonds as provided in Section 801, the Holders of not less than a majority in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Holders of all of the Bonds waive any past default under this Resolution and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

809. Notice of Default.

The Trustee shall promptly mail written notice of the occurrence of any Event of Default to each registered owner of Bonds then Outstanding at such registered owner's address, if any, appearing upon the registry books of the Authority and to the Authority and each Financing Facility Provider.

810. Rights of Financing Facility Providers.

To the extent provided in the applicable Supplemental Resolution or Series Certificate, any rights granted to the holders of the Bonds pursuant to this Article VIII may, instead, be exercised on behalf of the Financing Facility Provider with respect to the Bonds to which such Financing Facility relates.

**ARTICLE IX
CONCERNING THE FIDUCIARIES**

901. Trustee; Acceptance of Duties.

The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Resolution and such Supplemental Resolution or Series Certificate by executing and delivering to the Authority a written acceptance thereof, and by executing such acceptance the Trustee shall be deemed to have accepted such duties and obligations with respect to all Bonds issued under this Resolution, but only, however, upon the terms and conditions set forth in this Resolution and such Supplemental Resolution or Series Certificate.

902. Paying Agents; Appointment and Acceptance of Duties.

The Authority may at any time or from time to time appoint one or more other Paying Agents, in addition to, or in substitution for, The Bank of New York. All Paying Agents appointed shall have the qualifications set forth in Section 913 for a successor Paying Agent. The Trustee may be appointed a Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the Authority and to the Trustee a written acceptance thereof.

Unless otherwise provided, the principal corporate trust offices of the Paying Agents are designated as the respective offices or agencies of the Authority for the payment of the interest on and principal or Redemption Price of the Bonds.

903. Responsibilities of Fiduciaries.

The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Resolution or of any Bonds issued thereunder or as to the security afforded by this Resolution, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of this Resolution to the Authority or any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of subsection (b) of this Section 903, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Resolution. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by Resolution, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Any provision of this Resolution relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section 903 and Section 904.

904. Evidence on Which Fiduciaries May Act.

Each Fiduciary, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of this Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Authority, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

Except as otherwise expressly provided in this Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Authority to any Fiduciary shall be sufficiently executed in the name of the Authority when signed by an Authorized Officer of the Authority.

905. Compensation.

The Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including without limitation those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution, in accordance with the agreements made from time to time between the Authority and the Fiduciary.

The Authority hereby agrees to the extent permitted by law to reimburse and hold harmless each Fiduciary from and against any and all claims, damages, losses, liabilities, costs or reasonable expenses whatsoever which such Fiduciary may incur in connection with the performance by such Fiduciary of its obligations under this Resolution; provided, however, that the Authority shall not be required to reimburse and hold harmless any Fiduciary for any claims, damages, losses, liabilities, costs or expenses caused in whole or in part by such Fiduciary's negligence, bad faith, breach of contract or misconduct arising out of or as a result of such Fiduciary's performing its obligations under this Resolution or undertaking any transaction contemplated by this Resolution; and further provided, that the foregoing is subject to the limitations of the provisions of the New Jersey Tort Claims Act, N.J.S.A. 59:2-1 et seq. and the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq.

Each Fiduciary, by accepting its appointment as such under this Resolution, agrees that such Fiduciary (i) shall give the Authority prompt notice in writing of any actual or potential claim described above, and the institution of any suit or action; (ii) shall not adjust, settle or compromise any such claim, suit or action without the consent of the Authority; and (iii) shall permit the Authority, at the sole discretion of an Authorized Officer of the Authority, to assume full control of the adjustment, settlement, compromise or defense of each such claim, suit or action.

While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq. is not applicable by its terms to claims arising under contracts with the Authority, each Fiduciary, by accepting its appointment as such under this Resolution, agrees that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims against the Authority arising under this Section 905.

The indemnification provided in this Section 905 does not apply to or extend to any indemnification which may be given by any Fiduciary to any other person.

906. Certain Permitted Acts.

Any Fiduciary, individually or otherwise, may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization arising out of the enforcement of the Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

907. Resignation of Trustee.

The Trustee may at any time resign and be discharged of the duties created by this Resolution by giving no less than ninety (90) days written notice to the Authority, and mailing notice thereof to the Holders of Bonds then Outstanding, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the date specified in such notice unless (i) previously a successor shall have been appointed by the Authority or the Bondholders as provided in Section 909, in which event such resignation shall take effect immediately on the appointment of such successor, or (ii) a successor shall not have been appointed by the Authority or the Bondholders as provided in Section 909 on such date, in which event such resignation shall not take effect until a successor is appointed.

908. Removal of the Trustee.

The Trustee may be removed at any time with or without cause by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority. In addition, so long as no Event of Default, or an event which, with notice or passage of time, or both, would become an Event of Default, shall have occurred and be continuing, the Trustee may be removed at any time with or without cause by a resolution of the Authority filed with the Trustee.

909. Appointment of Successor Trustee.

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor Trustee may be appointed by the Authority by a duly executed written instrument signed by an Authorized Officer of the Authority, but if the Authority does not appoint a successor Trustee within sixty (60) days then by the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee. After such appointment of a successor Trustee, the Authority shall mail notice of any such appointment by it or the Bondholders to the registered owners of the Bonds then Outstanding.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 120 days after the Trustee shall have given to the Authority written notice as provided in Section 907 or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, removal, or for any other reason whatsoever, the Trustee (in the case of its resignation under Section 907) or the Holder of any Bond (in any case) may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of this Section 909 in succession to the Trustee shall be a bank or trust company organized under the laws of any state or a national banking association and shall have capital stock, surplus and undivided earnings aggregating at least \$50,000,000 if there be such a bank or trust

company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

910. Transfer of Rights and Property to Successor Trustee.

Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Authority or of the successor Trustee, execute, acknowledge and deliver such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property, rights, interests and estates held by it under this Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deed, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee.

911. Merger or Consolidation.

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

912. Adoption of Authentication.

In case any of the Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in this Resolution provided that the certificate of the Trustee shall have.

913. Resignation or Removal of Paying Agent and Appointment of Successor.

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least sixty (60) days written notice to the Authority, the Trustee and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Authority. Any successor Paying Agent shall be appointed by the Authority with the approval of the Trustee and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock, surplus and undivided earnings aggregating at least \$50,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

**ARTICLE X
SUPPLEMENTAL RESOLUTIONS**

1001. Supplemental Resolutions Effective Upon Filing With the Trustee.

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the Authority may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority, shall be fully effective in accordance with its terms:

- (1) To authorize Refunding Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Article II, and also any other matters and things relative to such Refunding Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend,

modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(2) To add to the covenants and agreements of the Authority in this Resolution, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(5) To confirm, as further assurance, any pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, this Resolution of the Pledged Property or the creation of a debt service reserve fund and the limitations of the pledge of any amounts therein to a particular Series of Bonds and to pledge any additional revenues, moneys, securities, Financing Facilities, Swap Agreements or other agreements; and

(6) To modify any of the provisions of this Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof.

1002. Supplemental Resolutions Effective Upon Consent of Trustee.

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority, and (ii) the filing with the Authority of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) To cure any ambiguity, supply any omission, or correct any defect or inconsistent provision in this Resolution;

(2) To insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect; or

(3) To make such other amendments and supplements to the Resolution as the Authority and State Treasurer may deem advisable and as shall not impair the security of the applicable Series of Bonds or adversely affect such Bondholders.

1003. Supplemental Resolutions Effective with Consent of Bondholders.

At any time and from time to time, a Supplemental Resolution may be adopted subject to consent by (a) Bond holders in accordance with and subject to the provisions of Article XI, and (b) any Financing Facility Provider the consent of which is required by the applicable Financing Facility, which Supplement Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority and upon compliance with the provisions of said Article XI, shall become fully effective in accordance with its terms as provided in said Article XI.

1004. General Provisions.

This Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article X and Article XI. Nothing contained in this Article X or Article XI shall affect or limit the right or obligation of the Authority to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 704 or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which elsewhere in this Resolution it is provided shall be delivered to said Fiduciary.

Any Supplemental Resolution referred to and permitted or authorized by Sections 1001, 1002 or 1003 may be adopted by the Authority without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution when filed with the Trustee shall be accompanied by an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms subject to any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally.

The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 1001, 1002 or 1003 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully

protected in relying on an opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE XI AMENDMENTS

1101. Mailing.

Any provision in this Article for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid only (i) to each registered owner of Bonds then Outstanding at such registered owner's address, if any, appearing upon the registry books of the Authority, and (ii) to the Trustee.

1102. Powers of Amendment.

Any modification or amendment of this Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution with the written consent, given as provided in Section 1103, of the Holders of at least forty percent (40%) in principal amount of the Bonds Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this Section, a Series shall be deemed to be affected by a modification or amendment of this Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of this Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds.

1103. Consent of Bondholders.

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 1102 to take effect when and as provided in this Section 1103. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Authority to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section 1103 provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Bonds specified in Section 1102, (b) the written consent of any Financing Facility Provider the consent of which is required pursuant to the applicable Financing Facility and (c) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, subject to any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally, and (ii) a notice shall have been given as hereinafter in this Section 1103 provided. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. A certificate or certificates executed by the Trustee and filed with the Authority stating that it has examined such proof and that such proof is sufficient in accordance with Section 1202 shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 1202 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section 1103 provided for is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1202 hereof. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Authority to the effect that no revocation

thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section 1103, may be given to Bondholders by the Authority by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section 1103 provided). The Authority shall file with the Trustee proof of the mailing thereof. A record, consisting of the certificates or statements required or permitted by this Section 1103 to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Fiduciaries and the Holders of all Bonds at the expiration of forty (40) days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that any Fiduciary and the Authority during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

1104. Modifications by Unanimous Consent.

The terms and provisions of this Resolution and the rights and obligations of the Authority and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Resolution and the consent of (a) the Holders of all of the Bonds then Outstanding, and (b) any Financing Facility Provider the consent of which is required by the applicable Financing Facility, such consents to be given as provided in Section 1103 except that no notice to Bondholders shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders.

1105. Exclusion of Bonds.

Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article XI, and the Authority shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Authority shall furnish the Trustee a certificate of an Authorized Officer of the Authority, upon which the Trustee may rely, describing all Bonds so to be excluded.

1106. Notation on Bonds.

Bonds authenticated and delivered after the effective date of any action taken as in Article X or this Article XI provided may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by an Authorized Officer of the Authority and the Trustee as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and presentation of his, her or its Bond for the purpose at the principal corporate trust office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If an Authorized Officer of the Authority or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Authority to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

**ARTICLE XII
MISCELLANEOUS**

1201. Defeasance.

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and in this Resolution, then the pledge of the Pledged Property, any Revenues, and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Authority to the Bondholders, shall thereupon cease, terminate and become void and be discharged and

satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by an Authorized Officer of the Authority to be prepared and filed with the Authority and, upon the request of an Authorized Officer of the Authority, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Authority the Pledged Property, including all moneys or securities held by them pursuant to this Resolution which are not required for the payment of principal or Redemption Price, if applicable, and interest on Bonds not theretofore surrendered for such payment or redemption. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Outstanding Bonds of a particular Series, or of a particular maturity or particular Bonds within a maturity within a Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and all covenants, agreements and obligations of the Authority to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section. Subject to the provisions of subsection (c) through subsection (f) of this Section, any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, an Authorized Officer of the Authority shall have given to the Trustee irrevocable instructions to mail as provided in Article IV notice of redemption of such Bonds (other than Bonds which have been purchased by the Trustee at the direction of an Authorized Officer of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of redemption) on said date, (ii) there shall have been deposited with the Trustee either moneys (including moneys withdrawn and deposited pursuant to subsection (a) of Section 506 and subsection (b) of Section 507) in an amount which shall be sufficient, or Federal Securities (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, an Authorized Officer of the Authority shall have given the Trustee irrevocable instructions to mail a notice to the Holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 1201 and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of subsection (f) of this Section 1201, to be available for the payment of the principal or Redemption Price, if applicable, of and accrued and unpaid interest on said Bonds (other than Bonds which have been purchased by the Trustee at the direction of an Authorized Officer of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of the notice of redemption referred to in subclause (i) of subsection (b) hereof). Any notice of redemption mailed pursuant to the preceding sentence with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond. The Trustee shall, as and to the extent necessary, apply moneys held by it pursuant to this Section 1201 to the payment when due of the principal or Redemption Price of and interest on such Bonds, all in the manner provided in this Resolution. The Trustee shall, if so directed by an Authorized Officer of the Authority (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1201 which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in subclause (i) of subsection (b) above with respect to any Bonds deemed to have been paid in accordance with this Section 1201 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect of such Bonds and redeem or sell Federal Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the moneys and Federal Securities remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the principal or Redemption Price, if applicable, of, and interest due or to become due on all Bonds, in respect of which such moneys and Federal Securities are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be. If, at any time (i) prior to the maturity date of Bonds deemed to have been paid in accordance with Section 1201 which are not to be redeemed prior to their maturity date

or (ii) prior to the mailing of the notice of redemption referred to in clause (a) with respect to any Bonds deemed to have been paid in accordance with this Section 1201 which are to be redeemed on any date prior to their maturity, the Authority shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered; such delivery of Bonds to the Trustee shall be accompanied by directions from an Authorized Officer of the Authority to the Trustee as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or redeem Bonds deemed paid in accordance with this Section 1201. The directions given by an Authorized Officer of the Authority to the Trustee referred to in the preceding sentence shall also specify the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section 1201 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section 1201 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section 1201 the total amount of moneys and Federal Securities remaining on deposit with the Trustee under this Section 1201 is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Bonds in order to satisfy subclause (ii) of this subsection (b) of Section 1201, the Trustee shall, if requested by an Authorized Officer of the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Resolution. Except as otherwise provided in this subsection (b) of Section 1201 and in subsection (c) through subsection (f) of this Section 1201, neither Federal Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under this Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Federal Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Resolution. For the purposes of this Section, Federal Securities shall mean and include only (A) Federal Securities which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof, (B) Federal Securities as to which an irrevocable notice of redemption of such securities has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the Holder thereof, or (C) upon compliance with the provisions of subsection (e) of this Section 1201, Federal Securities which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

Federal Securities described in subclause (iii) of subsection (b) of Section 1201 may be included in the Federal Securities deposited with the Trustee in order to satisfy the requirements of clause (ii) of subsection (b) of Section 1201 only if the determination as to whether the moneys and Federal Securities to be deposited with the Trustee in order to satisfy the requirements of such clause (b) would be sufficient to pay when due either on the maturity date thereof or, in the case of any Bonds to be redeemed prior to the maturity date thereof, on the redemption date or dates specified in any notice of redemption to be mailed by the Trustee in accordance with subsection (b) of Section 1201, the principal and Redemption Price, if applicable, and interest on the Bonds which will be deemed to have been paid as provided in subsection (b) of Section 1201 is made both (i) on the assumption that the Federal Securities described in clause (C) were not redeemed at the option of the issuer prior to the maturity date thereof and (ii) on the assumptions that such Federal Securities would be redeemed by the issuer thereof at its option on each date on which such option could be exercised, that as of such date or dates interest ceased to accrue on such Federal Securities and that the proceeds of such redemption would not be reinvested by the Trustee.

In the event that after compliance with the provisions of subsection (d) of Section 1201, the Federal Securities described in subclause (iii) of subsection (b) of Section 1201 are included in the Federal Securities deposited with the Trustee in order to satisfy the requirements of subclause (ii) of subsection (b) of Section 1201 and any such Federal Securities are actually redeemed by the issuer thereof prior to their maturity date, then the Trustee at the direction of an Authorized Officer of the Authority, provided that the aggregate of the moneys and Federal Securities to be held by the Trustee, taking into account any changes in redemption dates or instructions to give notice of redemption given to the Trustee by an Authorized Officer of the Authority in

accordance with subsection (f) of Section 1201, shall at all times be sufficient to satisfy the requirements of subclause (ii) of subsection (b) of Section 1201, shall reinvest the proceeds of such redemption in Federal Securities.

Any notice of redemption to be mailed by the Trustee and any set of instructions relating to a notice of redemption given to the Trustee may provide, at the option of an Authorized Officer of the Authority, that any redemption date or dates in respect of all or any portion of the Bonds to be redeemed on such date or dates may at the option of an Authorized Officer of the Authority be changed to any other permissible redemption date or dates and that redemption dates may be established for any Bonds deemed to have been paid in accordance with this Section 1201 upon their maturity date or dates at any time prior to the actual mailing of any applicable notice of redemption.

Reserved.

Related Swap Bonds and the Authority's Swap Payment Obligations under the applicable Swap Agreements shall be deemed to have been paid for purposes of Section 1201 above if (a) there shall have been deposited with the Trustee moneys and Federal Securities of the type described in Section 1201(b) in an amount which, together with amounts due and to become due from the Swap Provider under the applicable Swap Agreement, shall be sufficient to pay when due (i) during the term of the applicable Swap Agreement, the Authority's Bond Payment Obligations, Related Swap Bond Payment Obligations and Swap Payment Obligations (other than Swap Termination Payments) in respect of such Related Swap Bonds and (ii) thereafter, all principal of and premium, if any, and interest on such Bonds to maturity or prior redemption and (b) an Authorized Officer of the Authority shall have given to the Trustee irrevocable written instructions directing the Trustee to pay, during the term of the applicable Swap Agreement to the applicable Paying Agent or Swap Provider, as the case may be, the amount required to pay the Authority's Bond Payment Obligations, Related Swap Bond Payment Obligations and Swap Payment Obligations in respect of such Related Swap Bonds. Neither moneys nor Federal Securities deposited with the Trustee pursuant to this Section 1201(h) nor principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payments to be made pursuant to subsections (i) and (ii) above; provided that any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee, if not then needed for such purpose, shall to the extent practicable, be reinvested in Federal Securities maturing at the times and in amounts sufficient, together with other moneys available for the purpose, to make the payments set forth in subsections (i) and (ii) above, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge, and provided, further that any Federal Securities may be sold, transferred, redeemed or otherwise disposed of and the proceeds thereof applied to the purchase of other Federal Securities of the type permitted for this purpose, the principal of and interest on which, when due, together with moneys and other Federal Securities then held by the Trustee for such purpose, shall be sufficient to make the payments set forth in subsections (i) and (ii) above. Notwithstanding the defeasance of any Bonds and discharge of the lien of this Resolution pursuant to this Section 1201, during the term of any Swap Agreement for which the Related Swap Bonds have been defeased, the Trustee shall, subject to the foregoing provisions of this Section 1201, hold and apply (i) the Federal Securities deposited with it pursuant to this Section as provided in Section 505, and (ii) all payments from the Swap Provider under the applicable Swap Agreement as Swap Revenues pursuant to Section 506. If any portion of the moneys deposited with the Trustee for the payment of the amounts set forth in subsection (a) above is not required for such purpose, the Trustee shall pay the amount of such excess as an Authorized Officer of the Authority shall direct in writing.

Anything in this Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of an Authorized Officer of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority the Fiduciary shall, at the expense of the Authority, cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

1202. Evidence of Signatures of Bondholders and Ownership of Bonds.

Any request, consent, revocation of consent or other instrument which this Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of any instrument appointing any such attorney, or (ii) the holding by any person of the Bonds shall be sufficient for any purpose of this Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(1) The fact and date of the execution by any Bondholder or such Bondholder's attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature, guarantee, certificate or affidavit shall also constitute sufficient proof of his authority.

(2) The amount of Bonds transferable by delivery held by any person executing any instrument as a Bondholder, the date of such person's holding such Bonds, and the numbers and other identification thereof, may be proved by a certificate, which need not be acknowledged or verified, in form satisfactory to the Trustee, executed by the Trustee or by a member of a financial firm or by an officer of a bank, trust company, insurance company, or financial corporation or other depository wherever situated, showing at the date therein mentioned that such person exhibited to such member or officer or had on deposit with such depository the Bonds described in such certificate. Such certificate may be given by a member of a financial firm or by an officer of any bank, trust company, insurance company or financial corporation or depository with respect to Bonds owned by it, if acceptable to the Trustee. In addition to the foregoing provisions, the Trustee may from time to time make such reasonable regulations as it may deem advisable permitting other proof of holding of Bonds transferable by delivery.

The ownership of Bonds registered otherwise than to bearer and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Authority or any Fiduciary in accordance therewith.

1203. Moneys Held for Particular Bonds.

The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

1204. Preservation and Inspection of Documents.

All documents received by any Fiduciary under the provisions of this Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, any other Fiduciary, and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

1205. Parties Interested Herein.

Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Authority, the Fiduciaries, the Holders of the Bonds and any Financing Facility Providers, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Fiduciaries, the Holders of the Bonds and any Financing Facility Provider.

1206. No Recourse on the Bonds.

No recourse shall be had for the payment of the principal of or interest on the Bonds or the Financing Facility Payment Obligations for any claim based thereon or on this Resolution against any member or officer of the Authority or any person executing the Bonds or any Financing Facility.

1207. Publication of Notice; Suspension of Publication.

Any publication to be made under the provisions of this Resolution in successive weeks or on successive weeks or on successive dates may be made in each instance upon any business day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in a different Authorized Newspaper.

If, because of the temporary or permanent suspension of the publication or general circulation of any Authorized Newspaper or for any other reason, it is impossible or impractical to publish any notice pursuant to this Resolution in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

1208. Severability of Invalid Provisions.

If any one or more of the covenants or agreements provided in this Resolution on the part of the Authority or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution.

1209. Holidays.

Except with respect to the computation of a Record Date, if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Resolution, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Trustee or the operational office of the Authority are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Resolution, and no interest shall accrue for the period after such nominal date.

1210. Registration or Qualification of Series 2007 State Contract Bonds Under Blue Sky Laws of Various Jurisdictions.

The Authorized Officers of the Authority are authorized on behalf of the Authority to take any and all action that they deem necessary or advisable in order to effect the registration or qualification (or exemption therefrom) of the Series 2007 State Contract Bonds for issue, offer, sale or trade under the blue sky or securities laws of any of the states of the United States of America and, in connection therewith, to execute, acknowledge, verify, deliver, file or cause to be published any applications, reports (except consents to service of process) and other papers and instruments that may be required under such laws, and to take any and all further action that they may deem necessary or advisable in order to maintain any such registration or qualification for as long as they deem necessary or as required by law or by the Underwriters.

1211. Escheat Provision.

Anything in the Resolution to the contrary notwithstanding, any moneys held by a fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the fiduciaries at such date, or after the date of deposit of such moneys if deposited with the fiduciaries after the said date when such Bonds became due and payable, shall, be applied, when and as provided in the Uniform Unclaimed Property Act, N.J.S.A. 46:30B-1 *et seq.*, and the fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall have such rights as are provided in said Uniform Unclaimed Property Act.

ARTICLE XIII

BOND FORM AND EFFECTIVE DATE

1301. Form of Bonds, Trustee's Certificate of Authentication.

Subject to the provisions of this Resolution, the form of Bonds of each Series and the Trustee's Certificate of Authentication shall be in substantially the form set forth in Section 217 hereof.

1302. Effective Date.

This Resolution shall take effect immediately upon its adoption in accordance with the Act.

AB RESOLUTION NO. GG-89

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

Solaris Health System – Hartwyck at JFK

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, Solaris Health System has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

WHEREAS, Solaris Health System 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 may be considered volatile; and,

WHEREAS, the Authority is desirous of being responsive to Solaris Health System'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.