

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on May 28, 2009 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 Chair); Ulysses Lee, Public Member; Eileen Stokley, Designee of the Commissioner of Human Services; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; and, William Conroy, Designee of the Commissioner of Health and Senior Services (via telephone).

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

Mark Hopkins, Dennis Hancock, Steve Fillebrown, Jim Van Wart, Lou George, Suzanne Walton, Carole Conover, Michael Ittleton, Marji McAvoy, and Stephanie Bilovsky.

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

Warren Moore, Children's Specialized Hospital; Randy Schultz, Dan Davis, Catholic Health East; Joseph Lario, Richard Koss, Kennedy Health Systems; John Cavaliere, McManimon & Scotland, L.L.C.; Jeff Kramer, DeCotiis, FitzPatrick, Cole & Wisler, LLP; Howard Eichenbaum, Gluck Walrath; Scott Kobler, McCarter & English; Joseph Neal, Governor's Authorities Unit; and, Kavin Mistry, Deputy Attorney General.

CALL TO ORDER

Gus Escher called the meeting to order at 3:25 p.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 22, 2008 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

APPROVAL OF MINUTES

A. April 23, 2009 Authority Meeting

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

BOND SALE REPORT

Virtua Health, Inc.

Dennis Hancock reported that the Authority completed the pricing and closed on the 2009 Virtua issue, which was sold through two official statements: one for a fixed rate bonds, and one for variable rate bonds. Prior to the pricing of the fixed rate issue, the underwriters indicated that there

had been almost \$10 billion of taxable “Build America Bonds” sold and that typical tax-exempt institutional purchasers were concerned that the supply of tax-exempt product might be reduced. It was expected that this would have a beneficial impact on the Virtua issue by gaining stronger institutional support and competition.

On Monday April 27th, the underwriters suggested a structure that had serial bonds from 2016 through 2021 with term bonds in 2024, 2029 and 2038 and a 5-year call period. The 2038 term bond would not be offered during the retail order period and would be held out for institutional buyers. Since Assured Guaranty’s commitment was capped at \$295 million in bonds, the initial pricing included approximately \$16 million of unenhanced bonds in the 2016 and 2017 maturities with proposed yields at 4.40% and 4.60%, respectively. The remaining insured serials would have proposed yields ranging from 4.45% through 5.45%.

By noon, retail orders accounted for approximately 35% of the bonds. The underwriter suggested bi-furcating the remaining balances with higher coupons and 10-year call protection to attract more attention. Additionally, Virtua planned to issue \$245 million of variable rate debt on May 13th with a portion of that debt secured by a letter of credit from M&T Bank. Because the fixed rates were relatively attractive, Virtua requested that the proposed M&T variable rate debt be restructured as fixed rate unenhanced bonds thus increasing the size of the fixed rate deal by approximately \$68 million.

The underwriters’ institutional sales forces had been talking with potential purchasers and felt comfortable that they could complete the deal on Monday. The team agreed to move forward with the sale, and a verbal award was made late Monday afternoon. Similar to the proposed structure, serial bonds were issued in 2016 through 2021 with yields ranging from 4.40% to 5.0% with various maturities having five- or ten-year call protection. The 2016 and 2017 serials were uninsured as was a 2033 term bond, which had a yield of 6% and ten-year call protection. Other insured maturities included a term bond in 2024 yielding 5¼% with five-year call protection, a term bond in 2029 yielding 5.45% with five-year call protection, and a term bond in 2038 yielding 5.63% with ten-year call protection. The final sizing for the fixed rate bonds came in at \$379,645,000 with an all-in TIC of 5.82%.

After signing a Purchase Contract for this series on April 28th, the working group was notified on May 4th that Fitch downgraded Assured Guaranty from “AAA” to “AA.” This action raised serious concerns, however, the managers spoke with investors and all parties agreed to move forward to closing without any interest rate adjustment.

On May 13th, the working group began the pricing of four series of variable rate bonds totaling \$185,000,000.

Two of the four series, totaling \$100 million, were issued in a daily mode enhanced by a JPMorgan Chase letter of credit. The initial price was set at 15 basis points.

The remaining two series, totaling \$85 million, were issued in a weekly mode enhanced by a TD Bank letter of credit. The initial price established for these series was 30 basis points. Since the initial pricing the variable rates have remained fairly stable.

Mr. Escher asked about the rating for unenhanced portion, to which Mr. Hancock replied that they were issued based upon Virtua’s rating, which is in the straight “A” category. Mr. Van Wart added that construction on the facility is underway. Mr. Escher congratulated the working group on a successful issuance in today’s tricky market. This report was for informational purposes only; no action was required. Mr. Lee entered the meeting during this presentation.

CONTINGENT BOND SALE

Catholic Health East

Lou George began by introducing two representatives from Catholic Health East (“CHE”): Randy Schultz, Vice President, Capital Strategy & Management; and Dan Davis, Director of Capital Management. CHE operates health care facilities with an aggregate of over 12,000 beds in eleven states on the east coast and operates residential facilities for the elderly with approximately 1800 units. In New Jersey, Our Lady of Lourdes Medical Center in Camden, Lourdes Medical Center of Burlington County in Willingboro, and Saint Francis Medical Center in Trenton are all members of the CHE Health System and the Obligated Group.

Mr. George reminded the Members that in January they had approved a refinancing of \$101,395,000 of index bonds issued in April of 2007. The 2007 transaction was part of a multi-state deal, and the New Jersey interest rate was structured as 67% of Libor plus 80 basis points reset and payable on a quarterly basis (each February, May, August and November 15th). Unlike a pure variable rate transaction, there was no liquidity facility in place wherein an investor could put their bonds if they wanted to get out of the investment. The investor could only sell their holdings in the secondary market, and because of this lack of liquidity, investors are no longer interested in index rate products.

Further, he noted that the approval in January was based upon an issuance solely on the credit of CHE and hence required the Authority’s monitoring and derivative covenants. CHE was uncomfortable with the covenants and did not move forward with the transaction. Subsequently, CHE requested the Members’ consideration of less restrictive covenants. After giving it consideration, the Members agreed to limit the availability of hospital board documents by not requiring the Authority to take actual possession of the documents so long as they were made available for review. Also, the Members agreed to permit the collateralization of derivatives if such collateralization was allowed as a permitted encumbrance and assuming that after the collateral was posted, the borrower would have at least 60 days cash on hand. In addition, the Members agreed that, subject to certain criteria (for example, a minimum A rating, or a credit enhancement), the Members would be willing to limit the monitoring rights to only include attendance at hospital board meetings for facilities which had received Authority financing.

Staff had also advised CHE that the derivative policy would be waived if the transaction were insured, as the Authority would defer to the credit enhancer’s requirements.

CHE has decided to obtain bond insurance for the financing through Assured Guarranty, thereby eliminating the Authority’s derivative covenant within the Loan Agreement. Assured Guarranty has completed their credit analysis and is willing to insure the transaction; however, CHE is still negotiating covenants with Assured Guarranty and, therefore, a final commitment letter has not been executed.

As with the January approval, CHE believes that they can benefit from this liquidity crisis and are asking for authorization to conduct a negotiated public offering to refinance their Series 2007 bonds and pay the related costs of issuance including a swap termination fee. CHE will be offering the investors an exchange rate of approximately 60 cents on the dollar for a fixed rate bond at current interest rates in the range of 5.75 to 7%. The Series 2007 issue did not have a debt service reserve fund and neither will the new issue.

Mr. George also noted that the 2007 bonds were narrowly distributed to some of the larger bond funds. Merrill Lynch and Goldman Sachs, the underwriters for the proposed transaction, are not making a formal tender offer to the bondholders but instead are reaching out to the bonds funds, many of whom, they believe will jump at chance to convert their holdings. The bondholders will have two options to:

1. Exchange their bonds for new fixed rate bonds, or
2. Keep their index bonds

The bonds will be sold through an insured public offering with a “AAA” rating from Standard & Poors and “AA” ratings from Moody’s and Fitch.

BOND RESOLUTION

John Cavaliere of McManimon & Scotland, L.L.C. stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2009 bonds in an aggregate principal amount not in excess of \$106,000,000 and at a true interest cost not to exceed 9% per annum. The bonds will have a final maturity date of no later than November 15, 2039 and an optional redemption price not in excess of 105%. The bonds will be insured and 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, acting on behalf of itself and Goldman Sachs, prior to close of business on August 28, 2009 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 Mellon Trust Company N.A., of Pittsburgh, Pennsylvania to serve as trustee, authenticating agent, registrar and paying agent.

Mr. Escher reiterated that the contingency proposed relies upon the caveat that CHE obtain bond insurance. Mr. Schultz agreed and stated that CHE is fairly confident at this point that it will be able to get the desired insurance, noting that there is just one remaining item in negotiation. Mr. Escher moved to adopt the Bond Resolution. Mr. Conroy seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-01

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 2009.”

NEGOTIATED SALE REQUESTS

A. Kennedy Health Care Center

Mr. Hopkins reported that Kennedy Health Facilities, Inc., doing business as Kennedy Health Care Center (“Kennedy Care”), signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which would be used to construct and equip a 60-bed sub-acute care addition to its 130-bed skilled nursing facility. With capitalized interest, costs of issuance, funding a debt service reserve fund and other costs, Kennedy Care is seeking to finance a total of approximately \$18 million through the Authority.

Mr. Hopkins described Kennedy Care as a not for profit corporation that operates a 130-bed skilled nursing facility in Sewell. It is a subsidiary of Kennedy Health System, Inc., a not

for profit corporation with numerous entities including Kennedy Memorial Hospitals – University Medical Center, a 588-bed multi-campus hospital system with hospitals in Stratford, Cherry Hill and Turnersville.

While the Authority has issued bonds on behalf of its parent, Kennedy Health System, (of which approximately \$67.9 million are currently outstanding), the Authority has not issued any bonds on behalf of Kennedy Care. Kennedy Health System will not be obligated on the bonds being considered today.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, Kennedy Care generated excess revenues over expenses of approximately \$568,000 in 2008 and \$582,000 in 2007. Unaudited information for the first quarter of 2009 shows excess revenues over expenses of approximately \$110,000.

According to Mr. Hopkins, Kennedy Care asked that the Authority permit the use of a negotiated sale based on (i) the sale of a complex or poor credit, (ii) market volatility and (iii) the expected use of variable rate debt, all of which are considered under the Authority's Executive Order #26 policy to be justifications for the use of a negotiated sale. Mr. Hopkins recommended the consideration of a resolution 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.

He added that, after performing a competitive process, Kennedy Care selected Cain Brothers as Senior Managing Underwriter for the bonds. Additionally, Kennedy Care researched several law firms from the Authority's qualified list and requested that the Attorney General's Office appoint Cozen O'Connor to serve as bond counsel on the transaction. The decision of the Attorney General's Office is pending.

Mr. Lario confirmed for Ms. Stokley that the project would increase the facility's current total of 10 sub-acute care beds to 60 sub-acute care beds. Ms. Stokley noted that Medicare is a primary payer for sub-acute care, to which Mr. Lario confirmed that approximately 90% is funded by Medicare. Ms. Stokley asked if there are any concerns about the future of Medicare reimbursement rates, to which Mr. Koss stated that there are no Medicare changes expected that would impact revenues for sub-acute care services; Ms. Stokley stated that she was under the same impression. Mr. Lario noted that the market for sub-acute care in the area seems vastly underserved with hospitals struggling to find beds into which they can transfer patients. Ms. Stokley also agreed that she does not anticipate any difficulty filling these beds.

Mr. Lee moved to adopt the resolution approving the pursuit of a negotiated sale on behalf of Kennedy Health Care Center, and the forwarding of a copy of the justification in support of said resolution to the State Treasurer. Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-02

(attached)

B. *Chilton Memorial Hospital*

At this point, there was a break in the meeting while staff retrieved some updated information for the following presentation.

Mr. Hopkins then reported that Forrest S. Chilton 3rd Memorial Hospital, Inc. ("Chilton") signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to: (i) refund the approximately \$14.9 million in outstanding Series D Revenue bonds issued by the Authority on behalf of Chilton in 1993, (ii) refinance a taxable construction loan of \$10.8 million, which was used to renovate

Chilton's family care center nursing unit, radiation department and common area hallways, purchase MRI equipment and construct an addition therefore, and (iii) finance \$14 million for the purchase of surgical and cardiac catheterization equipment and to renovate the cardiac catheterization suite, a 46-bed nursing unit, a 44-bed nursing unit, the surgical area and the wound care center at Chilton's hospital campus. With costs of issuance, funding a debt service reserve fund and other costs, Chilton is seeking to finance a total of approximately \$41.3 million through the Authority.

In 1993, the Authority issued nearly \$43.5 million in Series D bonds for Chilton, of which \$14.9 million remains outstanding as of March 31, 2009. The Series D bonds are expected to be refunded by the bonds being considered today. The Authority also issued bonds on behalf of Chilton in 1974, 1981 and 1985. None of those bonds remain outstanding.

Mr. Hopkins described Forrest S. Chilton 3rd Memorial Hospital, Inc. as a 256-bed not for profit acute care hospital located in located in Pequannock Township. Chilton is also the sole corporate member of Chilton Memorial Hospital Foundation, Inc., which was formed to solicit and receive contributions for the benefit of Chilton, its affiliates and other organizations.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, Chilton generated revenues less than expenses of approximately \$9 million in 2008 and excess revenues over expenses of approximately \$8.1 million in 2007. The loss in 2008 was primarily attributable to an almost \$10.4 million loss in investments.

Chilton has 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, both of which are considered under the Authority's Executive Order #26 policy to be a justification for the use of a negotiated sale. Mr. Hopkins recommended the consideration of a resolution 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, after performing a competitive process, Chilton selected Merrill Lynch, Pierce, Fenner & Smith Incorporated as Senior Managing Underwriter for the bonds. Additionally, Chilton researched several law firms from the Authority's qualified list and received the approval of the Attorney General's Office to have Windels Marx Lane & Mittendorf serve as bond counsel.

Mr. Escher moved to adopt the resolution approving the pursuit of a negotiated sale on behalf of Chilton Memorial Hospital, and the forwarding of a copy of the justification in support of said resolution to the State Treasurer. Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-03

(attached)

AUDIT COMMITTEE REPORT

Maryann Kralik as Member of the Authority's Audit Committee reported that the Committee met on May 5, 2009 to consider extending the Authority's auditing services contract with Ernst & Young for the last allowable one-year extension. The initial three-year contract expired with the completion of the 2007 audit, at which point the Authority approved the first of two one-year contract extensions. This extension expired upon the recent completion of the 2008 audit.

Ms. Kralik stated that Ernst & Young offered to forego the cost of living fee increases negotiated for the extended services, providing their services for the same amount charged for the 2008 audit. The Committee appreciates this consideration, which saves the Authority more than \$1,600, and the Authority continues to be pleased with Ernst & Young's work on the audits.

Therefore, the Audit Committee recommended the Authority's acceptance of the last allowable one-year extension to the Authority's current auditing contract with Ernst & Young. Ms. Kralik made a motion to approve the extension; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-04

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the last allowable one-year extension to the Authority's current auditing contract with Ernst & Young, extending their auditing services through the completion of the Authority's 2009 audit.

AMENDMENT TO LOAN AND TRUST AGREEMENT

Children's Specialized Hospital

Jim Van Wart began by introducing Warren Moore, Chief Operating Officer of Children's Specialized Hospital. He then reminded the Members that on October 13, 2005, the Authority issued Series A bonds in the amount of \$32,895,000 and Series B bonds in the amount of \$24,000,000 on behalf of Children's Specialized Hospital ("Children's Specialized"). The funds were used to construct a new hospital in New Brunswick, and to fund a debt service reserve fund and a capitalized interest fund. A Loan and Trust Agreement was executed as part of the bond issue.

In the Loan and Trust Agreement, there was no provision for the sale or disposition of real property. Children's Specialized has requested that the Authority amend the Loan and Trust Agreement to allow for the sale of its real property in Fanwood, New Jersey. The Loan and Trust Agreement permits the amendment with the consent of the majority of the bondholders. Mr. Van Wart reported that, at this time, a majority of the bondholders, the Foundation, and Wachovia have all approved Amending the Loan Agreement as requested.

Distributed to the Members was a form of the amendment, a draft of the Resolution along with a draft of the opinion of Bond Counsel (DeCotiis, Fitzpatrick and Cole & Wisler, LLP) which opines that the amendment to the Loan and Trust Agreement is allowable with the consent of the majority of bondholders and that its execution will not affect the tax exempt status of the bonds. Mr. Van Wart added that the Attorney General's office has no objection to the Authority's consideration of this matter.

Ms. Kralik asked why the original Loan Agreement does not permit the sale of this property, to which Mr. Van Wart stated that the hospital pledged revenues to back the bonds and this property was a revenue-producing property included in that calculation; it will no longer be such once it is sold.

Mr. Conroy moved to amend the loan and trust agreement on behalf of Children's Specialized Hospital as requested to allow for the sale of certain property. Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-05

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the “FIRST SUPPLEMENTAL RESOLUTION AUTHORIZING THE FIRSTAMENDMENT OF THE LOAN AND TRUST AGREEMENT IN CONNECTION WITH THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY FIXED RATE REVENUE BONDS (CHILDREN’S SPECIALIZED HOSPITAL PROJECT) SERIES 2005A AND VARIABLE RATE REVENUE BONDS (CHILDREN’S SPECIALIZED HOSPITAL PROJECT) SERIES 2005B, ADOPTED ON SEPTEMBER 22, 2005” (*attached*).

CHANGE IN INSURANCE BROKER

Mike Ittleson reported that, since 1997, the Authority has used the broker under State contract in order to obtain all of its insurance policies. On January 13, 2009, after completing a Request for Proposal, the State awarded its contract for Insurance Brokerage services to J&H Marsh & McLennan. The contract is for a three year period ending December 31, 2011.

Unlike the previous contracts, this contract is not net of commission for Cooperative Purchasing Partners which the Authority is classified as for use of State contracts. The Authority will incur commissions, but the commissions will be part of the gross premium, not “in addition to.” Under the previous contracts, the broker was paid a monthly fee by the State regardless of amount of work done during the month. No fee was charged to or paid by the Authority.

Mr. Ittleson noted that, no action was required at this time. If there are no objections by the Members, staff will make the switch to J&H Marsh & McLennan, the insurance broker now under State contract.

Mr. Escher asked if there were any grounds for denial, to which Mr. Ittleson reiterated that it is the Authority’s current practice to follow the State’s lead regarding insurance. He noted that if the Members did have a concern about the D&O policy, for example, staff could issue a Request for Proposals seeking other offers, but staff sees no reason to recommend that at this point. Mr. Ittleson added that the Authority has previously used Marsh for insurance and presumably, this time around, the Authority could get even better rates since there is more bargaining power due to the fact that the Authority would be negotiating as a part of the State package. However, at this point, it cannot be said what the premiums will look like. Mr. Escher noted that staff and the Authority will just make note of the change and keep an eye on the premium levels going forward.

AMENDMENT TO THE AUTHORITY’S 2009 BUDGET

Michael Ittleson reminded the Members that in July 2002, the Authority purchased a new telephone system from Expert Technology Associates. Representatives from Expert Technology Associates have since informed staff that the main components of the system will be deemed obsolete effective December 31, 2009 because the technology is at least 10 years old. As such, the Authority’s system will no longer be supported through a maintenance contract, which will make repair costs and the ability to obtain parts an issue.

A special upgrade promotion that would allow the Authority to continue to use the existing phones is available until July 31, 2009 and costs \$12,995. The upgrade comes with a free one-year

warranty that also covers the Authority's existing phones. The upgraded system will also be supported for at least the next 10 years.

If the Authority does not take advantage of the upgrade promotion, the cost to replace the main components at a later date would increase to approximately \$20,000.

Therefore, staff recommended upgrading the main telephone system components. Since the 2009 budget for the office equipment line item is only \$10,000, the Members were asked to approve transferring \$3,349 from the "office equipment/software maintenance" line item to the "office equipment and furniture" purchase line item in order to fund the upgrade. Note, that amount was budgeted in the latter category for the annual telephone maintenance contract, which would not need to be renewed in August 2009 if the upgrade is approved.

Mr. Ittleson added that the Authority had originally depreciated the telephone system over 5 years so the fact that it has been in place for seven years has already been a financial gain for the Authority.

Mr. Lee moved to amend the Authority's 2009 Budget to allow for the replacement of its telephone system, as requested by staff. Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-06

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby amends its 2009 Budget, transferring \$3,349 from the "office equipment/software maintenance" line item to the "office equipment and furniture" purchase line item in order to fund the upgrading of the telephone system.

OLD/NEW BUSINESS

A. Appointment of Officers

Since the May meeting serves as the Authority's Annual Meeting, Ms. Stokley offered a motion to elect the following slate of Authority officers for the coming year.

Officers of the Authority

Vice Chairman	Gus Escher
Secretary	Ulysses Lee
Assistant Secretaries	Carole Conover Steve Fillebrown (one vacancy)
Treasurer	Ulysses Lee
Assistant Treasurer	(vacant)

Authority Finance Committee

Chairman	Ulysses Lee
Members	Gus Escher

Ms. Kralik seconded the nominations. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-07

WHEREAS, with respect to the Authority's elected official positions, one of the three Assistant Secretary roles and the role of Assistant Treasurer will remain vacant and may be filled at a later date with the appointment of new Authority Members,

NOW, THEREFORE, BE IT RESOLVED, that the following individuals are hereby elected to serve in the official positions noted until May 27, 2010, or until the next election of officers:

Vice Chairman - Gus Escher

Secretary - Ulysses Lee

Assistant Secretaries - Carole Conover and Steve Fillebrown

Treasurer - Ulysses Lee

BE IT FURTHER RESOLVED, that the Authority's Finance Committee will be chaired by Ulysses Lee, and Gus Escher will serve as a committee member.

Mr. Escher noted that the term of the Authority's elected officers will begin immediately following the Governor's ten-day veto period, barring any veto notification from the Governor's Office. He also thanked the Members for giving him the honor of serving as Vice Chairman for another year.

B. Adoption of 2009-2010 Meeting Schedule

Mr. Escher referenced a proposed list of dates on which to conduct meetings of the Authority and its Finance Committee for the coming year. Ms. Stokley offered a motion to adopt the schedule; Ms. Kralik seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. JJ-08

NOW THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the following schedule of dates on which to conduct meetings of the Finance Committee and the Authority; and,

BE IT FURTHER RESOLVED, that, as provided by the provisions of the Open Public Meetings Act and the Authority's By-laws, the Assistant Secretary is authorized to provide notice of these meeting dates to the Authority's designated newspapers, to post notice in the Authority offices and on the Authority's website, and provide notice to the Secretary of State:

FINANCE 10:00 a.m.	AUTHORITY* 10:00 a.m.
2009	2009
Tuesday, June 9	Thursday, June 25
Tuesday, July 7	Thursday, July 23
Tuesday, August 11	Thursday, August 27
Tuesday, September 8	Thursday, September 24
Tuesday, October 6	Thursday, October 22
Wednesday, November 4	Thursday, November 19
Tuesday, December 1	Thursday, December 17
2010	2010
Tuesday, January 12	Thursday, January 28
Tuesday, February 9	Thursday, February 25
Tuesday, March 9	Thursday, March 25
Tuesday, April 6	Thursday, April 22
Tuesday, May 11	Thursday, May 27**

**A Finance Committee meeting has also been scheduled immediately following every Authority meeting*

***Authority's annual meeting*

Mr. Escher noted for the record that, unless advertised to the contrary, all meetings are open to the public and shall be held in the Authority's office on the fourth floor of Building #4, Station Plaza, South Clinton Avenue, Trenton, New Jersey. Mr. Escher added that the Authority's staff will perform the required public announcement and notification of the meeting dates once the Governor's ten-day veto period has passed.

AUTHORITY EXPENSES

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

AB RESOLUTION NO. JJ-09

WHEREAS, the Authority has reviewed memoranda dated May 21, 2009, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of \$198,995.26, \$47,312.52 and \$30,403.57 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 staff reports, including the Project Development Summary, Cash Flow Statement, and Legislative Advisory were distributed to the Members. Then, in place of his monthly Executive Director's Report, Mr. Hopkins read a letter written by the Commissioner of Health and Senior Services honoring Dennis Hancock, who is retiring and expects this will be his last Authority meeting. The letter is attached.

As there was no further business to be addressed, following a motion by Mr. Escher and a second by Ms. Stokley, the Members voted unanimously to adjourn the meeting at 4:20 p.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 MAY 28, 2009.

Carole A. Conover
Assistant Secretary

AB RESOLUTION NO. JJ-02

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

Kennedy Health Care Center

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

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

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

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

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

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

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

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

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

WHEREAS, market conditions could be considered volatile; and,

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

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

WHEREAS, the Authority is desirous of being responsive to Kennedy Health Care Center's request; and,

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

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

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

AB RESOLUTION NO. JJ-03

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

Forrest S. Chilton 3rd Memorial Hospital

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, Forrest S. Chilton 3rd Memorial Hospital has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

WHEREAS, Forrest S. Chilton 3rd Memorial Hospital has requested that the Authority consider approving the pursuit of a negotiated sale; and,

WHEREAS, market conditions could be considered volatile; and,

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

WHEREAS, the Authority is desirous of being responsive to Forrest S. Chilton 3rd Memorial Hospital'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.

**NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY**

**FIRST SUPPLEMENTAL RESOLUTION AUTHORIZING THE FIRSTAMENDMENT
OF THE LOAN AND TRUST AGREEMENT
IN CONNECTION WITH THE
NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
FIXED RATE REVENUE BONDS
(CHILDREN'S SPECIALIZED HOSPITAL PROJECT)
SERIES 2005A
AND
VARIABLE RATE REVENUE BONDS
(CHILDREN'S SPECIALIZED HOSPITAL PROJECT)
SERIES 2005B,
ADOPTED ON SEPTEMBER 22, 2005,**

Adopted: May 28, 2009

**FIRST SUPPLEMENTAL RESOLUTION AUTHORIZING THE FIRSTAMENDMENT
OF THE LOAN AND TRUST AGREEMENT IN CONNECTION WITH THE NEW
JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY FIXED RATE
REVENUE BONDS (CHILDREN'S SPECIALIZED HOSPITAL PROJECT) SERIES
2005A AND VARIABLE RATE REVENUE BONDS (CHILDREN'S SPECIALIZED
HOSPITAL PROJECT) SERIES 2005B, ADOPTED ON SEPTEMBER 22, 2005**

WHEREAS, the New Jersey Health Care Facilities Financing Authority ("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. 26:21-1 et seq., as amended (the "Act"), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey; and

WHEREAS, the Authority duly adopted on September 22, 2005, its "RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY FIXED RATE REVENUE BONDS (CHILDREN'S SPECIALIZED HOSPITAL PROJECT) SERIES 2005A AND VARIABLE RATE REVENUE BONDS (CHILDREN'S SPECIALIZED HOSPITAL PROJECT) SERIES

2005B" (the "Resolution"); and

WHEREAS, pursuant to the Resolution, on November 1, 2005 the Authority issued its New Jersey Health Care Facilities Financing Authority Fixed Rate Revenue Bonds (Children's Specialized Hospital Project) Series 2005A, in the aggregate original principal amount of \$32,895,000 (the "Series 2005A Bonds"), and Variable Rate Revenue Bonds (Children's Specialized Hospital Project) Series 2005B, in the aggregate original principal amount of \$24,000,000 (the "Series 2005B Bonds" and, collectively with the Series 2005A Bonds, the "Series 2005 Bonds"); and

WHEREAS, the proceeds of the Series 2005 Bonds were loaned to Children's Specialized Hospital (the "Borrower") pursuant to that certain Loan and Trust Agreement, dated as of October 1, 2005 (the "Loan and Trust Agreement"), by and among the Authority, the Borrower and TD Bank, N.A. (as successor in interest to Commerce Bank, National Association) (the "Trustee"); and

WHEREAS, the Borrower desires to transfer ownership of the school program and child care program at its Fanwood Facility (defined below) and, in connection therewith, has secured the approval of the New Jersey Department of Education and now seeks to amend the Loan and Trust Agreement (the "First Amendment to Loan and Trust Agreement") to add the following definition to Section 102 of the Loan and Trust Agreement:

"Fanwood Facility" means the business consisting of a special education school for children known as Children's Specialized Hospital School and a day care center for special needs children known as A Special Place, both located at 330 Fanwood Avenue, Fanwood, New Jersey, together with all right, title and interest in related assets, including, but not limited to, the real property located at such address, the building located thereon and all fixtures and equipment relating thereto;

and to add the following paragraph as Section 615(c):

(c) Notwithstanding any other provision of this Agreement, the Borrower shall be permitted to remove, sell, lease, loan, assign, grant or otherwise dispose of all or a portion of the assets comprising the Fanwood Facility; and

WHEREAS, Section 1101 of the Loan and Trust Agreement provides, among other things, that the Loan and Trust Agreement may be amended by a Supplemental Agreement "with the written consent of the Majority of the Bondholders (except for the Series B Bonds, so long as the Bank is not in default under the Credit Facility securing the Series B Bonds), the Foundation and the Bank"; Section 1001 thereof provides, among other things, that "So long as the Series [2005]B Bonds are supported by a Credit Facility or any obligations to the Bank under the Reimbursement Agreement remain unpaid and the Bank has not failed to honor a properly presented and conforming draw under the Credit Facility, the Bank and not the Bondowners shall be treated as the owner of all Series B Bonds entitled to the benefits of the Credit Facility for the purpose of any consent, direction or other action by Bondowners"; and Section 102 thereof

provides that the term “Majority of the Bondholders’ means the Holders of more than 50% of the aggregate principal amount of all of the Bonds then Outstanding”; and

WHEREAS, Section 1101 of the Loan and Trust Agreement further provides that in connection with any amendment to the Loan and Trust Agreement, the Trustee may require and may conclusively rely on an Opinion of Counsel to the effect that such amendment complies with the provisions of the Loan and Trust Agreement; that when the Trustee determines that the requisite number of consents have been obtained for an amendment which requires Bondholder consent, it shall, within ninety (90) days, file a certificate to that effect in its records and mail or cause to be mailed notice to the Bondholders and the Trustee will promptly certify to the Authority that it has mailed or caused to be mailed such notice to all Bondholders and such certificate will be conclusive evidence that such notice was given in the manner required thereby; and each Rating Agency rating the Bonds must receive notice of any amendment to the Loan and Trust Agreement together with a copy of such amendment at least fifteen (15) Business Days prior to the execution or adoption of such amendment; and

WHEREAS, as of the date hereof, the outstanding principal amount of the Series 2005 Bonds under the Loan and Trust Agreement is \$56,080,000, comprised of \$32,460,000 outstanding principal amount of the Series 2005A Bonds and \$23,620,000 outstanding principal amount of the Series 2005B Bonds; and

WHEREAS, by letter dated May __, 2009, the Borrower solicited the consent of all Bondholders and the Bank to the First Amendment to Loan and Trust Agreement; and

WHEREAS, Wachovia Bank, National Association ("Wachovia"), as issuer of the Credit Facility, is treated as the owner of all Series 2005B Bonds for the purpose of any consent, direction or other action by Bondowners, as provided in Section 1001 of the Loan and Trust Agreement; and

WHEREAS, pursuant to the; (i) Consents, dated May __ through __, 2009 (the "Series 2005A Consents"), executed and delivered by owners of the Series 2005A Bonds, and (ii) Acknowledgement, Consent and Agreement dated May __, 2009 (the "Series 2005B Acknowledgement and Consent"), executed and delivered by Wachovia, pursuant to which Wachovia has consented to the First Amendment to Loan and Trust Agreement, as required pursuant to Section 1101 of the Loan and Trust Agreement, the Authority and the Trustee have received all consents required under Section 1101 of the Loan and Trust Agreement;

WHEREAS, pursuant to the Acknowledgement, Consent and Agreement dated May __, 2009, the Children’s Specialized Hospital Foundation, Inc., guarantor, has consented to the First Amendment to Loan and Trust Agreement;

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

ARTICLE I

DEFINITIONS AND AUTHORITY FOR FIRST SUPPLEMENTAL RESOLUTION

SECTION 101. Definitions. Unless the context otherwise requires or unless expressly otherwise provided herein, all words and terms that are defined in Section 102 of the Loan and Trust Agreement shall have the meanings in this First Supplemental Resolution that are given to such words and terms by Section 102 of the Loan and Trust Agreement.

SECTION 102. Authority for this Supplemental Resolution. This First Supplemental Resolution is adopted pursuant to and in accordance with the provisions of the Act.

ARTICLE II

APPROVAL OF FIRST AMENDMENT TO LOAN AND TRUST AGREEMENT

SECTION 201. Approval of First Amendment to Loan and Trust Agreement. The form of the First Amendment to Loan and Trust Agreement presented at the meeting at which this First Supplemental Resolution is adopted (copies of which are attached hereto as Exhibit A and have been filed with the records of the Authority) is hereby approved. Any Authorized Officer of the Authority is hereby authorized and directed to execute, to acknowledge and to deliver, and any other Authorized Officer of the Authority is hereby authorized and directed to affix and to attest the seal of the Authority to, the First Amendment to Loan and Trust Agreement in substantially such form, with such changes therein as counsel may advise and the Authorized Officers executing the same may approve, such approval to be evidenced by their execution thereof.

ARTICLE III

MISCELLANEOUS

SECTION 301. Series Resolution to Govern. This First Supplemental Resolution shall remain in full force and effect for so long as any Series 2005 Bonds remain outstanding under the Resolution. The Loan and Trust Agreement, as amended by the First Amendment to Loan and Trust Agreement, and the Foundation Guaranty, is in all respects ratified, affirmed and confirmed. The Loan and Trust Agreement, as amended by the First Amendment to Loan and Trust Agreement, shall be read, taken and construed as one and the same instrument.

SECTION 302. Incidental Action. The Authorized Officers of the Authority are hereby authorized and directed to execute and to deliver such other documents, instruments and agreements, and to take such other action as may be necessary or appropriate in order to effectuate the execution and the delivery of the First Amendment to Loan and Trust Agreement.

SECTION 303. Prior Resolutions. All prior resolutions of the Authority or portions thereof to the extent inconsistent herewith are hereby repealed.

SECTION 304. Amendments. This Supplemental Resolution may be amended and supplemented by a Supplemental Resolution adopted pursuant to the provisions of the Act.

SECTION 305. Effective Date. This Supplemental Resolution shall take effect upon the occurrence of ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery to the Governor of the minutes of the meeting of the Authority at which the Supplemental Resolution is adopted or at such earlier time as the Governor signs a statement of approval, all in accordance with subsection (i) of Section 4 of the Act.

Exhibit “A”

Form of First Amendment to Loan and Trust Agreement

See AB RESOLUTION NO. JJ-05

**FIRST AMENDMENT TO
LOAN AND TRUST AGREEMENT**

THIS FIRST AMENDMENT TO LOAN AND TRUST AGREEMENT (the “First Amendment”) is dated as of _____, 2009, by and among NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the “Authority”), CHILDREN’S SPECIALIZED HOSPITAL (the “Borrower”) and TD BANK, N.A. (as successor to Commerce Bank, National Association) (the “Trustee”).

PRELIMINARY STATEMENT

The Authority, the Borrower and the Trustee have previously entered into a Loan and Trust Agreement dated as of October 1, 2005 (the “Loan and Trust Agreement”), in connection with the issuance by the Authority of its Fixed Rate Revenue Bonds (Children’s Specialized Hospital Project) Series 2005A (the “Series 2005A Bonds”) in the original aggregate principal amount of \$32,895,000 and Variable Rate Revenue Bonds (Children’s Specialized Hospital Project) Series 2005B (the “Series 2005B Bonds” and together with the Series 2005A Bonds, the “Series 2005 Bonds”) in the original aggregate principal amount of \$24,000,000. (All capitalized terms used in this First Amendment and not otherwise defined shall have the meaning assigned to such terms in the Loan and Trust Agreement.)

The Borrower is authorized by law, and deems it necessary and desirable, to enter into this First Amendment for the purpose of amending the Loan and Trust Agreement to permit the transfer of the assets comprising the Fanwood Facility (as hereinafter defined) by the Borrower.

All acts and things necessary to constitute this First Amendment a valid amendment to the Loan and Trust Agreement according to the terms of Section 1101 thereof have been done and performed.

NOW, THEREFORE, in consideration of the premises, and for valuable consideration, the receipt of which is hereby acknowledged, the parties hereto hereby covenant and agree, as follows:

Section 1. This First Amendment is being executed and delivered pursuant to Section 1101 of the Loan and Trust Agreement.

Section 2. The following definition is hereby added to Section 102 of the Loan and Trust Agreement:

“Fanwood Facility” means the business consisting of a special education school for children known as Children’s Specialized Hospital School and a day care center for special needs children known as A Special Place, both located at 330 Fanwood Avenue, Fanwood, New Jersey, together with all right, title and interest in related assets, including, but not limited to, the real property located at such address, the building located thereon and all fixtures and equipment relating thereto.

Section 3. The following paragraph is hereby added to the Loan and Trust Agreement as Section 615(c):

(c) Notwithstanding any other provision of this Agreement, the Borrower shall be permitted to remove, sell, lease, loan, assign, grant or otherwise dispose of all or a portion of the assets comprising the Fanwood Facility.

Section 4. All other terms and conditions of the Loan and Trust Agreement shall continue unaffected and unchanged.

Section 5. This First Amendment may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

By: _____
[Name]
[Title]

CHILDREN'S SPECIALIZED HOSPITAL

By: _____
[Name]
[Title]

TD BANK, N.A.

By: _____
[Name]
[Title]

ACKNOWLEDGEMENT, CONSENT AND AGREEMENT:

Wachovia Bank, National Association, as the Bank and as Holder of the Series 2005B Bonds, **HEREBY ACKNOWLEDGES, CONSENTS AND AGREES** to the terms and provisions of this First Amendment, and without limiting the foregoing, further consents and agrees that any actions taken by the Borrower with respect to the Fanwood Facility which are permitted under Section 615(c) of the Loan and Trust Agreement (as amended by this First Amendment) shall likewise be permitted pursuant to the Reimbursement, Credit and Security Agreement dated as of October 1, 2005, between the Borrower and the Bank.

WACHOVIA BANK,
NATIONAL ASSOCIATION

By: _____
[Name]
[Title]

Children's Specialized Hospital Foundation, Inc., **HEREBY ACKNOWLEDGES, CONSENTS AND AGREES** to the terms and provisions of this First Amendment.

CHILDREN'S SPECIALIZED HOSPITAL
FOUNDATION, INC.

By: _____
[Name]
[Title]

— LAW OFFICES —

DeCOTIIS, FITZPATRICK, COLE & WISLER, LLP

NEW YORK, NY
TRENTON, NJ

GLENPOINTE CENTRE WEST
500 FRANK W. BURR BOULEVARD, SUITE 31
TEANECK, NEW JERSEY 07666
TELEPHONE: (201) 928-1100
TELEFAX: (201) 928-0588
www.decotiislaw.com

Direct Dial: .
Email: @decotiislaw.com

May __, 2009

New Jersey Health Care Facilities
Financing Authority
Station Plaza – Building Four
22 South Clinton Avenue
Trenton, New Jersey 08609

TD Bank, N.A.
101 Haddonfield Road, 2nd Floor
Cherry Hill, New Jersey 08002-4401

Wachovia Bank, National Association
International Operations
Standby Letters of Credit
NC-6034, 401
Linden Street
Winston-Salem, North Carolina 27101

Re: \$32,895,000 New Jersey Health Care Facilities Financing Authority Fixed Rate Revenue Bonds (Children's Specialized Hospital Project), Series 2005A; and
\$24,000,000 New Jersey Health Care Facilities Financing Authority Variable Rate Revenue Bonds (Children's Specialized Hospital Project), Series 2005B

Ladies and Gentlemen:

We have been asked to render certain opinions in connection with the financing of certain additional projects with proceeds of the New Jersey Health Care Facilities Financing Authority's (the "Authority") \$32,895,000 original principal amount of Fixed Rate Revenue Bonds (Children's Specialized Hospital Project), Series 2005A (the "Series 2005A Bonds") and \$24,000,000 original principal amount of Variable Rate Revenue Bonds (Children's Specialized Hospital Project), Series 2005B (the "Series 2005B Bonds" and, collectively with the Series 2005A Bonds, the "Series 2005 Bonds"), both dated November 1, 2005. The Series 2005 Bonds were issued under and pursuant to the laws of the State of New Jersey (the "State"), including particularly the New Jersey Health Care Facilities Financing Authority Law, N.J.S.A. 26:2I-1 *et seq.*, as amended and supplemented (the "Act"), and a Loan and Trust Agreement, dated as of October 1, 2005 (the "Loan and Trust Agreement"), by and among the Authority, Children's Specialized Hospital (the "Borrower") and TD Bank, N.A. (as successor in interest to Commerce Bank, National Association), as trustee (the "Trustee"). The Loan and Trust Agreement provides for, among other things, the loan of the proceeds of the Bonds to the Borrower. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Loan and Trust Agreement.

The Bonds were issued pursuant to a financing program sponsored by the Authority to provide funds to the Borrower to finance (i) certain costs of constructing and equipping a new pediatric rehabilitation hospital, to be located in New Brunswick, New Jersey and certain related land acquisition costs (the "Project"), (ii) a deposit to the Debt Service Reserve Fund, (iii) capitalized interest on all or a portion of the Bonds, and (iii) the costs of issuing the Bonds.

The Borrower now proposes to transfer ownership of the school program and child care program at its Fanwood Facility (defined below) and, in connection therewith, seeks to amend the Loan Agreement to add the following definition to Section 102 of the Loan and Trust Agreement:

"Fanwood Facility" means the business consisting of a special education school for children known as Children's Specialized Hospital School and a day care center for special needs children known as A Special Place, both located at 330 Fanwood Avenue, Fanwood, New Jersey, together with all right, title and interest in related assets, including, but not limited to, the real property located at such address, the building located thereon and all fixtures and equipment relating thereto;

and to add the following paragraph as Section 615(c):

(c) Notwithstanding any other provision of this Agreement, the Borrower shall be permitted to remove, sell, lease, loan, assign, grant or otherwise dispose of all or a portion of the assets comprising the Fanwood Facility.

The Fanwood Facility was not financed with proceeds of the Series 2005 Bonds.

The Borrower has secured the consent of a majority of the holders of the outstanding Series 2005 Bonds, Wachovia Bank, National Association, and Children's Specialized Hospital Foundation, Inc., guarantor, to effect the foregoing amendment to the Loan Agreement. On May 28, 2009, the Authority adopted a resolution entitled, "FIRST SUPPLEMENTAL RESOLUTION AUTHORIZING THE FIRST AMENDMENT OF THE LOAN AND TRUST AGREEMENT IN CONNECTION WITH THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY FIXED RATE REVENUE BONDS (CHILDREN'S SPECIALIZED HOSPITAL PROJECT) SERIES 2005A AND VARIABLE RATE REVENUE BONDS (CHILDREN'S SPECIALIZED HOSPITAL PROJECT) SERIES 2005B, ADOPTED ON SEPTEMBER 22, 2005", approving of the First Amendment to Loan and Trust Agreement.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that may have to be met or must be met on a continuing basis subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs. The Authority and the Borrower have each covenanted to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. The Authority's Tax Certificate with respect to the Bonds (the "Authority Tax Certificate") and the Borrower's Tax Certificate with respect to the Bonds (the "Borrower Tax Certificate"; and collectively with the Authority Tax Certificate, the "Tax Certificates"), which were delivered concurrently with the delivery of the Bonds, contain provisions and procedures regarding compliance with the requirements of the Code. The Authority and the Borrower, in executing their respective Tax Certificates, certified to the effect that the Authority and the Borrower expect and intend to comply with the provisions and procedures contained therein.

In our capacity as Bond Counsel we have examined such documents, records of the Authority and other instruments as we deemed necessary to enable us to express the opinions set forth below. We have assumed with your permission that the Borrower continues to be an organization described in Section 501(c)(3) of the Code. As to matters of fact, we have relied upon the representations of the Borrower and, where we have deemed appropriate, upon representations or certifications of public officials. Further, in expressing such opinions, we have relied upon the genuineness, accuracy and completeness of the documents and other instruments that we have examined.

Based upon and subject to the foregoing, it is our opinion that:

1. The First Amendment to Loan Agreement has been duly authorized, executed and delivered by the Authority and complies with the provisions of the Loan and Trust Agreement.
2. The First Amendment to Loan Agreement and the sale of the Fanwood Facility will not, in and

of itself, adversely affect the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes.

This opinion is given as of the date hereof, and we express no opinion as to any matter not set forth in the numbered paragraphs herein. Our opinions are specifically limited to the present internal laws of the State of New Jersey and federal law and no opinion is expressed as to the effect the law of any other jurisdiction might have upon the subject matter of the opinions expressed herein under conflict of laws principles or otherwise. We assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any change in law which may hereafter occur.

This opinion is furnished to you and may not be relied upon or used by any other person without the prior written consent in each instance of a partner of the undersigned firm.

Very truly yours,

DeCotiis, FitzPatrick, Cole & Wisler, LLP