

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on October 28, 2004 on the fourth floor of Building #4, Station Plaza, South Clinton Avenue, Trenton, New Jersey.

The following members, staff, and guests were in attendance:

Noreen White; Gus Escher (on the telephone); Frieda Phillips, representing the Commissioner of Human Services; Ed Tetelman representing the Commissioner of Health and Senior Services; Mark Hopkins, Dennis Hancock, Jim Van Wart, Suzanne Walton, Bill McLaughlin, Marji McAvoy, Lou George, Susan Tonry, Michael Ittleson, Carole Conover, Stephanie Zschunke, Authority Staff; Karen Mosner, Evergreen Financial Services; John Ehlinger, Obermayer Rebmann Maxwell & Hippel LLP; Gary Walsh, Riker, Danzig, Scherer, Hyland & Perretti LLP; Bill Mayer, DeCotis, FitzPatrick, Cole & Wisler; Katherine Newell, Gluck, Walrath, LLP; Kari Fazio, Chris McCann, Wachovia Securities; Bob Harvey, North Fork Bank; David Lundquist, Peter Kysilia, Saint Clare's Hospital; Bob Segin, Bob Osler, Gerry Lowe, Virtua Health, Inc.; Carolann Garafola, Judie Kafalas, The Children's Therapy Center; Bob Denes, Tony Cumerford, Joe Amato, Recovery Management Systems, Inc.; David Mebane, Saint Barnabas Health Care System; Manny Fernandez, the Treasurer's Office; and, Aimee Manocchio Nason, Deputy Attorney General.

#### ***CALL TO ORDER***

Noreen White called the meeting to order at 10:15 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the June 24, 2004 Authority meeting. In accordance with the provisions of the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all the newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, far enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

#### ***APPROVAL OF MINUTES***

Ms. White stated that the minutes for the Authority's September 23, 2004 meeting had been distributed for review and approval. Mr. Tetelman offered a motion to approve the minutes; Ms. Phillips seconded. Ms. White voted yes, Mr. Escher abstained, Ms. Phillips voted yes, and Mr. Tetelman voted yes. The motion carried and the minutes were approved.

#### ***TEFRA HEARINGS AND CONTINGENT BOND SALES***

As required by the Tax Reform Act of 1986, Ms. White announced that the following portion of the meeting would be considered a public hearing in connection with the Authority's proposed financings on behalf of Recovery Management Systems, Virtua Health Inc., and Saint Clare's Hospital. She invited those in attendance to participate in discussing these transactions, and then asked Lou George to present the proposed financing on behalf of Recovery Management Systems.

**A. Recovery Management Systems**

Lou George began by introducing Bob Denes, President of Recovery Management Systems, Inc. (“Recovery”) and Chief Executive Officer of Discovery Institute for Addictive Disorders, Inc. (“Discovery”), and Tony Cumerford, Vice President of Recovery and President and Chief Executive Officer of the New Hope Foundation (“New Hope”). Recovery was formed by Discovery and New Hope to own and operate a facility for their joint use. Mr. George stated that he would be requesting the Authority Members’ consideration of a contingent sale of tax-exempt bonds on behalf of Recovery Management Systems, Inc. in an amount not to exceed \$14.5 million.

The proceeds of the bonds would be used to: construct a 260 bed facility to house two separate residential treatment programs including common areas such as recreational, medical, reception and commissary facilities; purchase and install equipment at the facility; fund capitalized interest, and a debt service reserve; and, pay the related costs of issuance. Mr. George also indicated that the facility would be constructed on a 10-acre tract that was purchased from the State, of which a portion was formerly part of the Marlboro Psychiatric Hospital campus. The facilities will be leased to and operated by New Hope and Discovery.

Mr. George added that the bonds will be sold as a variable rate public offering and will be enhanced by a Commerce Bank (the “Bank”) direct pay letter of credit that will pay interest, principal, and the redemption price of the bonds when due. The issue will be rated A2/VMIG1 by Moody’s Investors Service, as a result of the letter of credit. The bonds will initially be issued in a weekly mode, however, the documents allow for a conversion to a monthly, term, or fixed rate mode. Under all circumstances, credit enhancement is required; the deal collapses if enhancement is unavailable.

Recovery will be obligated to reimburse the Bank for the draws on the letter of credit, pursuant to the terms of a reimbursement agreement (the “Reimbursement Agreement”). If there are insufficient funds to make such a reimbursement, the debt service reserve fund will be used. Discovery and New Hope have also entered into a guaranty agreement with the Bank to further secure the letter of credit.

Mr. Tetelman asked if Recovery has any contracts with the State, to which Mr. Cumerford replied it has many, in addition to contracts with managed care and private organizations. Mr. Denes added that less than 1% of the state’s established need for chemical dependency treatment is actually met by existing delivery systems so the facility expects a high rate of utilization. Mr. Cumerford added that the Division of Addicted Services is anxious for the facility to open because they have a great need for it.

In response to a question from Mr. Tetelman, Mr. Cumerford stated that a major benefit of the project is that the combination between the two organizations represents a full continuum of care needed by the addicted population ranging from initial detoxification to long-term care. While Recovery does not have the resources to accurately track its rate of recidivism, the state average is 46%. Mr. Denes stated, though, that Recovery is the largest placement site for Federal probation and is also one of the initiators of the Drug Courts System- Partnership of New Jersey. The statistics that the New Jersey Drug Courts are keeping on recidivism with respect to

Discovery show a 70% successful completion rate. Those are the figures of the Department of Corrections, which monitors the discharged individuals for a period of three years, through regular meetings, monitoring workplaces and providing urinary analyses.

### **BOND RESOLUTION**

John Ehlinger, Esquire of Obermayer Rebmann Maxwell & Hoppel LLP stated that the Bond Resolution authorizes the issuance of the tax-exempt Variable Rate Revenue Bonds Series 2004 (the “bonds”) in an aggregate principal amount not in excess of \$14,500,000 and at an interest rate not in excess of 12%. The bonds will have a final maturity date of no later than December 1, 2034, and a redemption premium not in excess of 105%. The bonds will be paid from draws on the direct pay Letter of Credit to be issued by Commerce Bank. Under the terms of a Reimbursement Agreement, Recovery will be obligated to reimburse the Bank for such draws on the Letter of Credit. Recovery’s obligations to the bank under the Reimbursement Agreement will be secured by, among other things, a mortgage on the property, and an assignment of the leases from Discovery and New Hope. In addition a Debt Service Reserve Fund shall be established pursuant to the Trust Indenture and will serve as additional security.

Further, the Bond Resolution approves the form of and authorizes the execution of a Bond Purchase Contract with Commerce Capital Markets, Inc., prior to the close of business on January 26, 2005 and approves the form of the Bonds, the Trust Indenture, the Loan Agreement, the Remarketing Agreement and the Preliminary Official Statement and authorizes the approval of the Official Statement by any Authorized Officer. In addition it authorizes the Authorized Officers to execute and deliver such other documents and to take such other actions as may be necessary to effectuate the sale of the Series 2004 bonds. The Series Resolution also appoints Commerce Bank, National Association as Trustee, Bond Registrar and Paying Agent for the Bonds and appoints Commerce Capital Markets, Inc. as Remarketing Agent.

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

### **AB RESOLUTION NO. EE-37**

**NOW, THEREFORE, BE IT RESOLVED**, That the Authority hereby approves the Bond Resolution entitled, “AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY VARIABLE RATE REVENUE BONDS, RECOVERY MANAGEMENT SYSTEMS, INC. ISSUE, SERIES 2004.”

Mr. Cumerford thanked the Authority for their work on the financing, thus making the new facility possible.

#### ***B. Virtua Health Inc.***

Lou George began by introducing Robert Segin, Vice President and Chief Financial Officer, Gerry Lowe, Vice President of Finance, and Robert Osler, Treasury Director, all of Virtua Health System (“Virtua”). He then explained that Virtua is the parent company of Virtua-West Jersey

Health System that operates three general acute care hospitals in Berlin, Marlton and Voorhees, in addition to Virtua-Memorial Hospital Burlington County that operates an acute care hospital in Mt. Holly.

Mr. George indicated that he would be requesting the Members' approval of a contingent sale of bonds on behalf of Virtua in a total amount not to exceed \$60,000,000. The proceeds will be used to refinance an outstanding Capital Asset Loan, fund various new money projects totaling approximately \$45 million, fund capitalized interest, and pay the related costs of issuance.

The new money projects include a new ICU, expanded lobby, cardiac catheterization lab, and a new wing to house a 24-bed post-interventional care unit at the Marlton campus; interior renovations including labor and delivery suites, a postpartum unit, a neonatal and pediatric intensive care unit, and expanded operating rooms at the Voorhees campus; and, interior renovations and restoration work including an intensive care unit, a progressive care unit and a pulmonary and adult care unit for the elderly at the Berlin campus. In addition, proceeds would be used for information technology enhancements and other miscellaneous expenditures at all the hospital campuses within the system.

Mr. George stated that the transaction will be structured as a variable rate financing secured by a Wachovia Bank direct pay letter of credit. The bonds can be issued in a weekly or a term mode and have the ability to be converted to a credit enhanced fixed rate. Initially, the bonds will be priced in a weekly mode. Although not yet assigned, it is expected that the bonds will reflect the credit rating of the letter of credit, which is "Aa2/VMIG1" from Moody's.

### **BOND RESOLUTION**

Katherine Newell, Esq., of Gluck, Walrath, LLP stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2004 Bonds in an aggregate principal amount, not in excess of \$60,000,000. Initially the bonds will be issued at a weekly variable interest rate, with the maximum rate not to exceed 10%; however they may be converted to a Term Mode with an interest rate not to exceed 25% or a fixed rate which would be subject to credit enhancement. The Bonds will have a final maturity date of no later than July 1, 2034 and be subject to redemption prior to maturity as set forth in the Trust Indenture provided, that the redemption price may be no greater than 103%. The Bonds will be paid from draws on the direct pay Letter of Credit to be issued by Wachovia Bank, National Association. Under the terms of the Reimbursement Agreement, Virtua Health Inc. will be obligated to reimburse the Bank for draws on the Letter of Credit. Amounts on deposit in certain funds held by the Trustee pursuant to the Trust Indenture will provide additional security for the Bonds.

The Bond Resolution approves the form of and authorizes the execution of a Bond Purchase Contract prior to close of business on January 26, 2005. In addition, the Bond Resolution approves the form of the Loan Agreement, the Trust Indenture, the Bonds, the Limited Offering Memorandum, and the Remarketing Agreement. Further, the Bond Resolution appoints the Bank of New York, as Trustee, Tender Agent, Paying Agent and Bond Registrar and Wachovia Bank, National Association as initial Remarketing Agent. Finally, the Bond Resolution authorizes and directs the Authorized Officers to execute and deliver such other documents, certificates, directions and notices, and to take such other action as may be necessary or

appropriate in order to effect the execution and delivery of the documents authorized under the Bond Resolution and the sale and issuance of the Bonds, to implement the DTC book-entry only system for the Bonds and to maintain the tax-exempt status of the Bonds.

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

### **AB RESOLUTION NO. EE-38**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Bond Resolution entitled, "RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY VARIABLE RATE REVENUE BONDS, VIRTUA HEALTH ISSUE, SERIES 2004."

On behalf of Virtua, Mr. Segin stood and thanked the Authority for its leadership related to the bond sale, with special thanks to Lou George and Dennis Hancock for their hard work. He added that these proceeds will help support and grow Virtua's programs of excellence, offering additional capacity for its Women's and Children's program, and maintain the useful life of these facilities for about fifteen more years until their eventual consolidation all on the new hospital Greenfield site. Mr. Tetelman added that it is a great project and wished Virtua best of luck.

### ***TEFRA HEARING AND INFORMATIONAL PRESENTATION***

#### ***Saint Clare's Hospital***

Bill McLaughlin began by introducing David Lundquist, Chief Operating Officer and Peter Kisylia, Chief Financial Officer. He then reminded the Members that Saint Clare's Hospital, Inc. ("Saint Clare's") had requested that the Authority consider the issuance of approximately \$110,000,000 of bonds on its behalf, the proceeds of which are expected to be used: 1) to currently refund the Saint Clare's Series 1994 bonds, the Dover General Series 1994 bonds and the COMP Series 2003 A-4 bonds; 2) to fund the construction and renovation costs for projects which include the Emergency Unit at Dover and the Obstetrics Unit at Denville; 3) to fund the costs of heating, air conditioning, electrical and other infrastructure improvements at Boonton; 4) to fund the Debt Service Reserve relating to the Series 2004 bonds; and 5) to fund capitalized interest and to pay related costs of issuance.

According to Mr. McLaughlin, Saint Clare's had solicited both MBIA and Radian Asset Assurance to provide bond insurance for this transaction. Both firms indicated interest, submitted preliminary term sheets, and are scheduled to present this transaction to their respective Credit Committees for final approval over the following week. Once a final decision is made by the respective credit committees and conveyed to the hospital, Saint Clare's will request contingent sale approval for an insured, a partially insured, or a stand-alone credit transaction. Mr. McLaughlin added that, though final ratings have not been assigned, Saint Clare's has received indications from the rating agencies that this transaction should be investment grade, rated in the "BBB/Baa" category.

As there were no further questions or comments, Ms. White closed the public hearing that was required by the Tax Reform Act of 1986 in connection with the Authority's proposed issuance and on behalf of Recovery Management Systems, Virtua Health Inc., and Saint Clare's Hospital.

### ***CAPITAL ASSET PROGRAM LOAN APPROVAL***

#### ***The Children's Therapy Center***

Suzanne Walton began by introducing Carolann Garafola, Executive Director of The Children's Therapy Center (the "Center"). Ms. Walton explained that the Center is requesting a loan through the Capital Asset Program (the "CAP") in the amount of \$1.5 million to finance construction of a 7,000 square foot addition and renovations to approximately 9,600 square feet of existing space. The project will include, but not be limited to, the construction of new classrooms, the expansion of occupational, physical and speech therapy treatment areas, the addition of a parent waiting room and parent/staff conference room and various upgrades to the physical plant. Upon completion of the project, the Center will be able to accommodate an additional 38 children in its school-based programs and another 40 children into its clinical programs.

Ms. Walton described The Children's Therapy Center, also known as the Cerebral Palsy Center of Bergen County, Inc, as a 501(c)(3) organization that provides therapy and assistive technology evaluations and treatment, as well as educational programming for neurologically and physically impaired children and children with special needs. Founded in 1950, the Center serves the residents of northeastern New Jersey from its main campus in Fair Lawn, Bergen County and through off-site, school-based therapy services to the Fair Lawn School District. Programs and services provided by the Center include: an Early Enrichment Program for children 18 months to three years of age; a private school program for Pre-school Disabled and Multiply Disabled children ranging in ages from three to eight years; and, comprehensive physical, occupational and speech therapy services, parent counseling and support programs for more than 400 children and their families. Funding for services is derived from private payment by parents, Medicaid, school district tuition, service fees, foundations, grants and contributions.

According to Ms. Walton, the total projected cost of the expansion project is \$2.2 million. The Center has embarked on a 3-year fund raising campaign to raise a minimum of \$2 million from individuals, corporations, foundation, and community groups. To date the Center has received approximately \$500,000 in pledges and \$300,000 in cash.

JPMorgan Chase Bank, provider of the credit and liquidity support for the Series A-D Program, performed an independent credit analysis and approved the loan subject to the borrower providing a first mortgage lien on the facility, a gross revenue pledge and a lien on the fund raising pledges and receivables.

Mr. Tetelman asked why the facility only has a contract with Fair Lawn and not other school districts. Ms. Garafola replied that Fair Lawn is geographically convenient so it is cost effective for its schools to transport children to the facility, while other districts are not as close.

Therefore, it is more cost effective for those districts to hire their own occupational and physical therapist. There are approximately 40 school districts, though, that send children to their facility for an after school clinic from 3pm to 5pm. The Center receives pre-schoolers, as well, from Bergen, Hudson, and Sussex counties.

Mr. Tetelman asked if the Center has a relationship with the Division of Developmental Disabilities (the “DDD”) Ms. Garafola stated that there is a very close relationship between the facility and the DDD, adding that the Center’s social worker visits the DDD three times a week to be able to provide support for parents doing the application’s paperwork, and speakers from the DDD visit the Center to help parents understand the Center’s process. Garafola replied to a question from Ms. Phillips, stating that a very small portion of their services are covered by Medicaid, primarily only those services provided to children under three years of age.

Ms. Phillips offered a motion to approve the issuance of a Capital Asset Loan on behalf of The Children’s Therapy Center; Mr. Tetelman seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. EE-39**

*(attached)*

Ms. Garafola thanked the Authority for their time and effort.

***NEGOTIATED SALE REQUESTS***

***A. Ivy Senior Care Corp.***

Mark Hopkins reported that Ivy Senior Care Corporation (“Ivy”) signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to finance 280 independent living apartments with a 37,000 square foot adult medical day care center, plus ancillary health care space, a convenience shop, a hairdresser, a recreation room and a 10,000 square foot children’s day care center on five acres of land located at Irvington Avenue and Manor Drive in Newark, New Jersey.

The apartments will be initially leased to frail social security eligible seniors, age 62 and over, for \$475 per month, which includes three meals a day, adult medical day care and, for those residents with a medically defined need, home health aids. The adult medical day care will serve as an additional source of revenue. The project is expected to total approximately \$50.6 million. An equity contribution is expected in the approximate amount of \$13.6 million. Therefore, with capitalized interest, costs of issuance and other costs, Ivy seeks financing through the Authority in the amount of approximately \$38.5 million.

Mr. Hopkins stated that Ivy, a New Jersey for-profit entity, will be the general partner and manager of a Housing Limited Partnership which will lease the project’s land and own the 280 apartments. Ivy will also be a tenant in the health care space and provide health care services through a five-year management agreement with Almost Family/Caretenders. Ivy has the approval of the New Jersey Department of Health and Senior Services to develop a 325-slot adult day health care program in Newark. Once the construction is completed and a certificate of

occupancy is granted, the project will be eligible to receive a license to operate the adult day health care program.

Ivy has not received financing from the Authority in the past and has no debt outstanding to the Authority. It is a new, single-purpose entity with no financial history, so no audited financial statements were provided to the Authority. It is expected that the placement agent will require certain independent financial projections and marketing data, rather than a feasibility study in the typical form used for hospital projects, in order to place the bonds with sophisticated investors.

According to Mr. Hopkins, Ivy asked that the Authority permit the use of a negotiated private placement sale based on it being a complex and poor credit, the complex structure of the transaction, including the involvement of the simultaneous sale of more than one series with each series structured differently, and the use of programs or financial techniques that are new to investors. Because these reasons are all considered under the Authority's E.O. #26 policy to be justifications for the use of a negotiated private placement sale, staff recommended the consideration of the resolution approving the use of a negotiated private placement sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer. Mr. Hopkins added that Ivy had completed a competitive process in anticipation of the Authority's approval and has identified Roosevelt & Cross as its Placement Agent.

Mr. Tetelman expressed concern that the majority of the services provided will fall under the Supplemental Security Income program, which reimburses at very low rates. Mr. Hopkins stated that there will be an AM and PM adult medical daycare session and the facility's residents are able to participate in one, while the other will be open to those outside the facility, which will provide some income. Mr. Tetelman noted that adult daycare has been scrutinized recently and the approvals to provide the service has become much more difficult to obtain with new necessary qualifications.

Mr. Tetelman then asked if there is any other Federal funding being provided, to which Mr. Hopkins replied there is a tax credit element. A significant portion of the equity will come from the sale of tax credits. Mr. Tetelman then expressed concern that no viewable track record has been demonstrated for this borrower. He asked for staff to provide information on whether or not the borrowers had built and operated other facilities like this, perhaps in other states, and if so, to provide reports on the financial status of those ventures.

Mr. Tetelman added that he did not feel comfortable moving to approve a resolution on behalf of an organization with no demonstrated ability for their proposed project. Mr. Hancock assured Mr. Tetelman that approving the presented resolution only allows Ivy to move forward with a proposal for a negotiated sale financing rather than a competitive sale. The Authority is not obligated to move forward with an issuance by this resolution. Ms. White expressed an understanding of Mr. Tetelman's concerns, that approving a resolution on this project may seem premature since Ivy is in a much more preliminary status than the Authority normally deals with. However, she felt comfortable with this particular approval area knowing that the Members will have other opportunities to get more detail on the project and its developers. Ms. White did make a special request for staff to ensure that Ivy presents representatives who can answer all of

Mr. Tetelman's questions asked at this meeting when it approaches the Authority at a subsequent meeting.

Ms. White moved to approve the use of a negotiated private placement sale structure on behalf of Ivy Senior Care Corp., and approve the forwarding of a copy of the justification in support of said resolution to the State Treasurer; Ms. Phillips seconded. Ms. White voted yes, Mr. Escher voted yes, Ms. Phillips voted yes, and Mr. Tetelman abstained. The motion carried.

**AB RESOLUTION NO. EE-40**  
*(attached)*

***B. MMC Ambulatory Surgery Center, Inc.***

Mr. Hopkins then reported that MMC Ambulatory Surgical Center, Inc. ("MMC Center") had also signed a Memorandum of Understanding with the Authority to prepay a material portion of a long-term lease with Monmouth Medical Center for use of the Medical Center's existing ambulatory surgery center. The Medical Center will use the lease prepayment to defease a portion of the Authority's bonds issued in 1998 on behalf of the Saint Barnabas Health Care System, the proceeds of which were used to finance the construction of the ambulatory surgery center. The project is expected to total approximately \$5 million and, with costs of issuance and other costs, MMC Center is seeking a total financing of approximately \$5.1 million.

Mr. Hopkins explained that MMC Center is a not-for-profit organization and an affiliate of Monmouth Medical Center, which is the sole member of MMC Center. Monmouth Medical Center is an affiliate of Saint Barnabas Corporation, which is the sole member of Monmouth Medical Center. MMC Center will lease the ambulatory surgery center from Monmouth Medical Center.

MMC Center has not received financing from the Authority in the past but other Saint Barnabas Corporation affiliates have received financing through the Authority. Because it is a new, single-purpose entity MMC Center has not provided the Authority with audited financial statements. The Authority has received Saint Barnabas Corporation's audited financial statements from 2003 and unaudited year-to-date financial information through June 30, 2004. However, neither Saint Barnabas Corporation, nor any of its other affiliates, will serve as guarantors of the bonds issued for MMC Center. The proposed direct purchaser of the bonds has requested a waiver of the requirement for a financial feasibility study.

According to Mr. Hopkins, MMC Center asked that the Authority permit the use of a negotiated private placement sale based on it being a complex and poor credit, the complex structure of the transaction, including the involvement of the simultaneous sale of more than one series with each series structured differently, and the use of programs or financial techniques that are new to investors. Since these reasons are considered under the Authority's E.O. #26 policy to be justification for the use of a negotiated private placement sale, staff recommended the consideration of the resolution, included in the meeting materials, approving the use of a negotiated private placement 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 Authority's approval, MMC Center identified Monmouth ASC Investment, L.L.C., as the direct purchaser of the Bonds. Monmouth ASC Investment, L.L.C. is an investment entity being created solely for the purpose of purchasing the bonds on behalf of physicians expected to invest in the bonds.

Mr. Tetelman noted that this is essentially a joint venture, to which David Mebane, Vice President of Legal Affairs for Saint Barnabas, replied that the project is a 501(c)(3) subsidiary of the hospital and the bonds will be offered as an investment to the surgeons. He added that as a system, Saint Barnabas has shied away from doing equity deals with the doctors, however, it hopes that by offering this as a debt instrument, the doctors have an incentive to use facilities at the hospital rather than create off-site alternatives. Mr. Tetelman commended the concept, noting it as one of the new ideas for ways in which hospitals can reduce competition for their doctors and provide the doctors with some investment.

Mr. Tetelman then moved to approve the pursuit of a negotiated private placement sale on behalf of MMC Ambulatory Surgery Center, Inc., and approve the forwarding of a copy of the justification in support of said resolution to the State Treasurer. Ms. Phillips seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. EE-41**  
*(attached)*

***FINANCE COMMITTEE REPORT***

Gus Escher, as chair of the Authority's Finance Committee, reported that the Committee met on October 13, 2004. During the meeting, staff requested the Committee's consideration of a 2004 budget amendment to permit the transfer of \$10,000 from the Printing budget category to the Archival Documents category so that staff may continue to archive documents through the end of the year.

Mr. Escher reported that staff had stated that the archival process could get current in 2005 with the use of an additional \$10,000 in funding. The archiving process was hindered in 2001 by vendor production difficulties and in 2002 by the loss of funding resulting from the transfer of monies to the State. The Printing budget for 2004 has excess funds since an anticipated reprint of educational materials was not needed and the 2003 Annual Report had not been printed. Mr. Escher stated that the decision not to print an annual report is detailed in the memo included in the Members' meeting materials, along with a printout of the online version of the "2003 Report on Annual Operations".

Michael Ittleton responded to a question from Ms. White by stating that the archiving process involves turning over hard copy documents to the vendor, Integrated Data Solutions, who then scans the documents into CD format. Mr. Escher recommended that the Authority approve the transfer of \$10,000 from the 2004 Printing budget category to the 2004 Archiving Budget. Mr. Escher then moved to approve the transfer of \$10,000 from the 2004 Printing budget category to the 2004 Archiving budget category; Mr. Tetelman seconded. The vote was unanimous and the motion carried.

### **AB RESOLUTION NO. EE-42**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the transfer of \$10,000 from the 2004 Printing budget category to the 2004 Archiving budget category.

Mr. Escher then added that the Committee began its review of the proposed 2005 budget at the meeting, however, the Committee is not yet prepared to submit it to the full Authority Membership.

### ***AUTHORITY EXPENSES***

Ms. White referred to a summary of Authority expenses and invoices. Ms. Phillips 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. EE-43**

**WHEREAS**, the Authority has reviewed memoranda dated October 28, 2004, 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 \$705,517.94, \$50,748.14 and \$22,911.53 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***

Ms. White referenced staff reports that were distributed for review, including the Project Development Summary, Third Quarter Report, Interest Rate Trends Graph, Cash Flow Statement, and Legislative Advisory. There were no questions and Ms. White thanked staff for preparing the reports.

Mr. Hopkins then began his Executive Director's report by stating that he met with the hospital consulting firms Navigant and Cambio Health Solutions on separate occasions to introduce himself as the Executive Director of the Authority. He also had an introductory meeting with representatives from Wachovia. In addition, Mr. Hopkins participated in a conference call regarding the Federal Government's efforts to prevent the use of State and Local Government Securities as an option. National Association of Higher Educational Facilities Authorities (NAHEFA) and the National Council of Health Facilities Finance Authorities (NCHFFA) are compiling comments to submit in response to those regulations.

Mr. Hopkins accompanied Susan Tonry, the Authority's Assistant Director of Operations and Compliance Manager, to the first rating meeting between Robert Wood Johnson's captive insurance company and A.M. Best Company. He also accompanied Steve Fillebrown, the Authority's Director of Research Investor Relations, to a meeting with the Educational Financing Authority to discuss the Authority's investor relations. Mr. Hopkins and Mr. Fillebrown also attended the NAHEFA/NCHFFA annual joint fall conference where Mr. Fillebrown presented on DisclosureUSA, the new central post office for disclosure documents. Mr. Hopkins added that Mr. Fillebrown is currently presenting at the New Jersey 2004 Institutional Investors' Conference.

Mr. Hopkins concluded his report by stating that the Authority will be hosting a meeting of its CFO Advisory Panel on Monday, November 22<sup>nd</sup>. James S. Blumenstock, Deputy Commissioner, and David Gruber, Assistant Commissioner for Health Emergencies Preparedness, will join the Panel to discuss hospital emergency preparedness.

***ADJOURN***

As there was no further business to be addressed, Ms. Phillips moved to adjourn the meeting, Ms. White seconded. The vote was unanimous and the motion was carried at 11:00 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 OCTOBER 28, 2004.

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Dennis Hancock  
Assistant Secretary

**AB RESOLUTION EE-39**

**RESOLUTION APPROVING LOAN TO  
CEREBRAL PALSY CENTER, BERGEN  
COUNTY, INC. AND APPROVING A LOAN  
AND SECURITY AGREEMENT**

***CAPITAL ASSET PROGRAM***

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**WHEREAS**, Cerebral Palsy Center of Bergen County, Inc. (the "Institution") has requested that the New Jersey Health Care Facilities Financing Authority (the "Authority") finance or refinance, or reimburse the Institution for, the costs of certain capital assets (the "Capital Assets") through the Authority's \$100,000,000 Variable Rate Demand Revenue Bonds (Hospital Capital Asset Financing Program) 1985 Series A, 1985 Series B, 1985 Series C and 1985 Series D; and

**WHEREAS**, such Capital Asset financing for the Institution will be made pursuant to a Loan and Security Agreement to be entered into between the Authority and the Institution (the "Loan Agreement"), which will be assigned by the Authority to The Bank of New York, as Trustee (the "Pool Trustee"); and

**WHEREAS**, as additional security for its obligations under the Loan Agreement, the Institution will be required to deliver such collateral as JPMorgan Chase Bank ("JPMorgan") may require, which is currently contemplated to be a first mortgage lien encumbering the Institution's existing facility, a lien on and a pledge of the receipts of the Institution's capital campaign, and a gross revenue pledge and lien on the receivables of the Institution.

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

1. The Authority hereby approves a loan to the Institution in the amount of up to \$1,500,000 (the "Loan") for the purpose of financing or refinancing, or reimbursing the Institution for, the costs of the Capital Assets, consisting generally of the costs related to the construction of the expansion of the Institution's existing facility located in Fair Lawn, New Jersey; said approval being subject to the receipt of all necessary loan documentation as required, and subject to the Institution meeting all loan, collateral and security requirements of JPMorgan.
2. Pursuant to the provisions of the Trust Agreement securing the Authority's Capital Asset Financing Program, the Authorized Officers of the Authority are hereby authorized and directed to execute the Loan Agreement, security documents and any other documentation deemed necessary and appropriate by the Authority's counsel to complete the financing or refinancing of, or reimbursing the Institution for, the costs of the Capital Assets for the Institution.

3. The Authorized Officers of the Authority are hereby authorized and directed to take such other action as may be necessary or appropriate in order to effectuate the financing or refinancing of, or reimbursing the Institution for, the costs of the Capital Assets for the Institution.

4. All prior resolutions of the Authority or any portions thereof to the extent inconsistent with this Resolution are hereby repealed.

5. This Resolution shall take effect ten days, exclusive of Saturdays, Sundays and public holidays, after delivery to the Governor of the minutes of the meeting of the Authority at which this Resolution is adopted, or such earlier time as the Governor signs a statement of approval, all in accordance with Subsection (i) of Section 4 of the New Jersey Health Care Facilities Financing Authority Law, as amended.

**AB RESOLUTION NO. EE-40**

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

***Ivy Senior Care Corporation***

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**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**, Ivy Senior Care Corporation has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

**WHEREAS**, Ivy Senior Care Corporation has requested consideration of a determination that a negotiated private placement sale is the appropriate method of financing; and,

**WHEREAS**, the Authority's policy states that a private placement would be permitted if, based on a financial analysis, it would be less expensive on a present value basis to complete a private

placement; or, if such other circumstances (i.e., credit considerations) would limit effectiveness or usefulness of a public sale; and,

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

**WHEREAS**, Ivy Senior Care Corporation is considering the use of programs or financial techniques that are new to investors; and,

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

**WHEREAS**, it has been determined that other circumstances would limit the effectiveness or usefulness of a public sale; and,

**WHEREAS**, the Authority is desirous of being responsive to Ivy Senior Care Corporation'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 findings above, the Authority hereby determines that it would better serve the requirements of this Financing to conduct a negotiated private placement; 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. EE-41**

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

***MMC Ambulatory Surgery Center, Inc.***

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**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**, MMC Ambulatory Surgery Center, Inc. has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

**WHEREAS**, MMC Ambulatory Surgery Center, Inc. has requested consideration of a determination that a negotiated private placement sale is the appropriate method of financing; and,

**WHEREAS**, the Authority's policy states that a private placement would be permitted if, based on a financial analysis, it would be less expensive on a present value basis to complete a private placement; or, if such other circumstances (i.e., credit considerations) would limit effectiveness or usefulness of a public sale; and,

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

**WHEREAS**, MMC Ambulatory Surgery Center, Inc. is considering the use of programs or financial techniques that are new to investors; and,

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

**WHEREAS**, it has been determined that other circumstances would limit the effectiveness or usefulness of a public sale; and,

**WHEREAS**, the Authority is desirous of being responsive to MMC Ambulatory Surgery Center, Inc. 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 findings above, the Authority hereby determines that it would better serve the requirements of this Financing to conduct a negotiated private placement; 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.