

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on September 22, 2005 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:

Edward Tetelman, representing the Commissioner of Health and Senior Services; Gustav Edward Escher, III, Public Member; Freida Phillips, designee of the Commissioner of Human Services; and, Maryann Kralik, representing the Commissioner of Banking and Insurance.

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

Mark Hopkins, Dennis Hancock, Lou George, Jim Van Wart, Bill McLaughlin, Michael Ittleson, Suzanne Walton, Andreea Milosevici, Marji McAvoy, Susan Tonry, Ron Marmelstein, Carole Conover, and Stephanie Zschunke.

The following **representatives from State offices** were in attendance:

Victoria Pratt, Authorities Unit Office of the Governor; and, Clifford T. Rones, Deputy Attorney General.

The following **members of the public** were in attendance:

Kari Fazio, Wachovia Securities; William Mayer, Esq., DeCotiis, FitzPatrick, Cole & Wisler; Amy Mansue, Warren Moore, Joseph Dobosh, Children's Specialized Hospital; Daniel J. Deets, Deborah Hoskins, Hunterdon Medical Center; Howard Eichenbaum, Gluck Walrath; Glenn Wagner, Morgan Stanley; Karen Mosner, Evergreen Financial; and, Kent Pieri, Sovereign Bank.

CALL TO ORDER

Mark Hopkins called the meeting to order at 10:03 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 26, 2005 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 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.

In the absence of the Chairman and the Vice Chairman, Mr. Escher nominated Ed Tetelman to serve as Chairman pro tem for the meeting. Ms. Phillips seconded. Mr. Escher voted yes, Ms. Phillips voted yes, Ms. Kralik voted yes, and Mr. Tetelman voted yes. The motion carried.

AB RESOLUTION NO. FF-16

NOW, THEREFORE, BE IT RESOLVED, that the Authority appoints Ed Tetelman to serve as Chairman pro tem for the September 22, 2005 Authority meeting, in the absence of the Authority's Chairman and Vice Chairman.

APPROVAL OF MINUTES

July 28, 2005 Authority Meeting

The minutes for the Authority's July 28, 2005 had been distributed for review at the Authority's August meeting, where Mr. Escher and Ms. Phillips each cast votes to approve the minutes. There were not enough affirmative votes to approve the minutes at that time, so, according to the Authority's policy, these two votes carried over. Mr. Tetelman stated that he also attended the July meeting and had yet to vote. He cast his vote for approval of the July minutes, thereby fulfilling the three votes needed for their approval.

August 25, 2005 Authority Meeting

The minutes for the Authority's August 25, 2005 meeting were distributed for review and approval. Mr. Escher offered a motion to approve the minutes; Ms. Phillips seconded. Mr. Tetelman voted yes, Mr. Escher voted yes, Ms. Phillips voted yes, and Ms. Kralik abstained. The motion carried and the minutes were approved.

CONTINGENT BOND SALE

Children's Specialized Hospital

Ms. Walton introduced Amy Mansue, President and Chief Executive Officer, Joseph Dobosh, Vice President for Finance and Chief Financial Officer, and Warren Moore, Chief Operating Officer of Children's Specialized Hospital. Ms. Walton indicated that the Members are being asked to consider a contingent sale of bonds on behalf of Children's Specialized Hospital (the "Hospital") in two series, the Series 2005A Fixed Rate Revenue Bonds and the Series 2005B Variable Rate Revenue Bonds, in an aggregate principal amount not to exceed \$80 million. The proceeds of the Series 2005 bond issues will be used to (i) fund the construction and equipping of a new pediatric rehabilitation hospital, (ii) fund capitalized interest on a portion of the Series 2005 Bonds, (iii) fund a debt service reserve for the Series 2000A Bonds, and (iv) pay costs incidental to the issuance and sale of the Bonds.

The Series 2005A Bonds will be rated "Baa3" by Moody's and "BBB-" by Fitch Ratings. The rating for the Series 2000B Variable Rate Bonds, which will be secured by a Wachovia Bank direct-pay letter of credit, will be based on the ratings of the Bank, which is expected to be Aa2/VMIG-1, which was identified and a strong rating.

The Series 2005 Bonds will be secured by payments made by the Hospital under the Loan and Trust Agreement, as evidenced and secured by a mortgage on its Mountainside facility, a leasehold mortgage on the New Brunswick facilities to be constructed on land leased from Robert Wood Johnson University Hospital, and a security interest in the gross revenues. As further security for the Series 2005 Bonds, Children's Specialized Hospital Foundation, Inc. will be providing a guaranty of the payment obligations of the Hospital under the Loan and Trust Agreement.

BOND RESOLUTION

William Mayer, Esq., of DeCotiis, FitzPatrick, Cole & Wisler, LLP stated that the Bond Resolution authorizes the issuance of the Series 2005 Bonds in an aggregate principal amount,

exclusive of original issue discount, not in excess of \$80,000,000. The Series 2005 Bonds will be issued as two separate series, the Series 2005A Fixed Rate Revenue Bonds shall bear interest at a true interest cost not to exceed 8% and the Series 2005B Variable Rate Revenue Bonds will have an initial maximum interest rate not to exceed 10%. The Bonds shall mature no later than July 1, 2036 and will be secured by certain funds and accounts established pursuant to the Authority's resolution and loan repayments to be made by the Hospital pursuant to the Loan and Trust Agreement. The principal, interest and purchase price of the Series 2005B Bonds shall be initially secured by a Letter of Credit issued by Wachovia Bank, National Association. In addition, the Bond Resolution approves the form of and authorizes the execution of a Bond Purchase Contract for the Series 2005A Bonds and a Bond Purchase Contract for the Series 2005B bonds prior to close of business on December 14, 2005. The Bond Resolution also approves the form of the Bonds, Preliminary Official Statement, Official Statement, Loan and Trust Agreement and Foundation Guaranty.

The Loan and Trust Agreement format is being utilized by the Authority for the first time. The Loan and Trust Agreement combines the provisions of a Loan Agreement and a Trust Agreement into a single document, and should help the participants understand the financing. Other authorities around the county and in New Jersey have previously used this format.

The Bond Resolution confirms the appointment of Commerce Bank, National Association as Trustee, Bond Registrar and Paying Agent for the holders of the Series 2005 Bonds. In addition the Resolution appoints Wachovia Bank, National Association as Remarketing Agent for the Series 2005B Bonds.

Mr. Tetelman moved that the document be approved. Ms. Phillips seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. FF-14

NOW, THEREFORE, BE IT RESOLVED, That the Authority hereby approves the Bond Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY FIXED RATE REVENUE BONDS, CHILDREN'S SPECIALIZED HOSPITAL PROJECT, SERIES 2005A, AND VARIABLE RATE REVENUE BONDS, CHILDREN'S SPECIALIZED HOSPITAL PROJECT, SERIES 2005B."

CO-MANAGER SELECTION

Mr. Hopkins stated that the Authority's policy reads "The Authority reserves the right to select firm(s), from its qualified list, to serve as co-managing underwriter(s) for its financings. Co-manager(s) will be selected by the Authority, based on demonstrated ability to distribute New Jersey securities of comparable credit quality, sufficient capital to participate in underwriting the issue, and borrower preference(s)." As reported, the Children's Specialized Hospital transaction is anticipated to total approximately \$58 million, with approximately \$23 million in variable rate bonds and \$35 million in fixed rate bonds. Wachovia Securities is the senior manager. Mr. Hopkins then recommended that Citigroup and Morgan Stanley co-managers serve as co-managers for the approximately \$35 million in fixed rate bonds. Mr. Escher moved that the document be approved. Ms. Phillips seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. FF-15

NOW, THEREFORE, BE IT RESOLVED, that the firms Citigroup and Morgan Stanley be appointed to serve as co-managers for the Authority's Fixed Rate Revenue Bonds, Children's Specialized Hospital Project, Series 2005A and Variable Rate Revenue Bonds, Children's Specialized Hospital Project, Series 2005B.

TRANSMITTAL TO THE GOVERNOR

Upon a motion made by Mr. Escher, seconded by Ms. Phillips, and voted upon unanimously, the Assistant Secretary was authorized to execute a certified copy of the portion of the minutes, relating to the Children's Specialized Hospital contingent bond sale and appointment of co-managers, and forward them to the Governor with a recommendation that he approve all actions taken by the Authority with respect to the issuance and sale of its Fixed Rate Revenue Bonds, Children's Specialized Hospital Project, Series 2005A and Variable Rate Revenue Bonds, Children's Specialized Hospital Project, Series 2005B.

Mr. Tetelman congratulated Children's Specialized Hospital. Ms. Mansue acknowledged the Authority staff for carrying Children's Specialized Hospital through the transaction, adding that the transaction was made possible by the diligent efforts of Suzanne Walton, whom she complimented as a great asset for the Authority. Mr. Tetelman said the Authority looks forward to the new facility, which he expects will be outstanding.

INFORMATIONAL PRESENTATION

Hunterdon Medical Center

Bill McLaughlin introduced Daniel J. Deets, Chief Financial Officer, and Deborah Hoskins, Director of Finance, both from Hunterdon Medical Center. He then stated that the Medical Center is a not-for-profit community teaching hospital located near Flemington, New Jersey that currently maintains 178 acute care beds and is the only acute care hospital in Hunterdon County.

Hunterdon Medical Center requested that the Authority consider the issuance of approximately \$36,000,000 of bonds on its behalf, the proceeds of which would be used to: fund the construction and equipping of a new health and wellness center located in Clinton, New Jersey; fund the construction of a new 449-space parking garage on the Medical Center's campus; fund central plant improvements; purchase capital equipment; fund the Debt Service Reserve and capitalized interest; and, pay related costs of issuance. The proceeds would also refinance a taxable loan that was used to retire a portion of the Medical Center's Series A (1990) Bonds.

The transaction will be structured as a fixed rate financing. Standard & Poor's rated the transaction "A-", while Fitch has assigned a rating of "A".

Mr. McLaughlin turned the Members' attention to the annual financial information for the Medical Center, noting that Days Cash on Hand increased from 90.17 days to 111.58 days from 2003 to 2004. The Days Cash on Hand position is materially stronger than the 2004 Statewide Median of 80.45 days. The Hospital's Operating Margin for the years 2003 and 2004 was positive at 0.02% and 2.59%, respectively, and are primarily attributable to an increase in inpatient admissions. Debt Service Coverage is strong at 13.23 times as was the Cushion Ratio

at 14.63 times for 2004. Days in Accounts Receivable are stable at 52.30 days versus the statewide median of 52.06 days and full-time employees per adjusted occupied bed were slightly high at 6.65 versus a statewide median of 5.14. Unaudited six-month interim financial statements show a slight overall improvement from the same period last year and indicate continued solid performance.

According to Mr. McLaughlin, Annual Inpatient Utilization Trends for the Hospital are positive, showing increasing admissions and inpatient days. Length of stay decreased from 4.98 days in 2003 to 4.64 days in 2004. The occupancy rate on licensed beds fell slightly from 60.67% in 2003 to 60.08% in 2004. Utilization statistics derived from interim financials indicating six-month performance are consistent with year-end 2004 results.

Mr. Tetelman asked what equipment would be purchased with the bond proceeds, to which Mr. Deets replied that the Medical Center is purchasing some radiology information systems equipment that will allow for the broadcast of medical images. Mr. Tetelman then asked about the taxable portion of the previous bonds, and Mr. Deets stated that the facility tendered a series of bonds in order to restructure debt. A line of credit for approximately \$1.5 million was taken to pay for a portion of the costs of the tender, and the Medical Center would now like to refinance that taxable debt. Mr. Tetelman asked if there is an explanation for the 2005 increase in occupancy and length of stay; Mr. Deets replied that the variations result from a small increase in available beds in an intensive care area of the hospital as well as the seasonality experience during the winter months. He expects these statistics to level out throughout the year.

RECOMMENDATION FOR A FINANCIAL PRINTER

St. Ives Financial

Mr. Hopkins reported that the contract for the Authority's financial printer expires on October 31, 2005. The financial printer is charged with printing the Authority's official statements, preliminary official statements and other related documents and electronic publication services. The Authority placed advertisements in the *Bond Buyer* soliciting the interest of financial printers to serve the Authority, which appeared in the printed version of the *Bond Buyer* on August 23rd, 24th and 25th and on the *Bond Buyer's* website on August 22nd, 23rd, 24th and 25th.

The Authority received responses from three financial printers requesting copies of the Authority's RFP for financial printers. The Authority held a bidders' conference for prospective bidders on September 1, 2005 and only one firm attended. That firm, St. Ives Financial, was also the only firm to submit a proposal, which was received on September 9th, 2005 and conformed with the Authority's RFP. No other firms submitted proposals. Staff reviewed the proposal, sought and received additional information from the submitting firm, and concluded that the proposal was reasonable. Mr. Hopkins noted that, in the future, staff will contact the State Department of Purchasing to consider the option of including the Authority in their printing contracts. Until then, staff recommends the Authority enter into a contract with St. Ives Financial for financial printing services for the period of November 1, 2005 through October 31, 2007 with the possibility of three one year extensions.

Mr. Escher offered a motion to award the contract to St. Ives Financial, as recommended by staff; Ms. Phillips seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. FF-17

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby authorizes awarding a two-year contract, for the printing of preliminary and final official statements and other related documents, to St. Ives Financial, commencing November 1, 2005 through October 31, 2007, with the right to extend the terms of the contract for a maximum of three additional one-year periods.

MODIFICATIONS TO THE QUALIFIED BANKERS LIST

Mr. Hopkins provided background information stating that Legg Mason has spun off some of its services and, as a result, three of its banking professionals moved to Ryan Beck & Co. Ryan Beck now seeks to expand its services to accommodate for the new talent. Ryan Beck & Co. is already on the Authority's qualified list as placement agent, co-manager and remarketing agent for Authority financings, however, staff received a revised statement of qualifications from Ryan Beck & Co. requesting that the Authority consider it for qualification as a senior managing underwriter. The Authority's policy states that qualifications to serve the Authority are evaluated on an ongoing basis as statements of qualifications are submitted.

Based on the evaluation of Ryan Beck's revised statement of qualifications, in compliance with the Authority's request for qualifications originally distributed on March 15, 2004, Authority staff recommends approving the request. Headquartered in Florham Park, New Jersey, Ryan Beck has 39 offices in 14 states, including seven offices with 385 employees in New Jersey. With a total of nearly 500 investment consultants, Ryan Beck services over 125,000 retail and institutional accounts and manages nearly \$17 billion in assets. Ryan Beck is a wholly owned independent subsidiary of BankAtlantic Bancorp, Inc., which is a Ft. Lauderdale, Florida based financial services holding company with nearly \$6 billion in assets and \$400 million of equity capital. Ryan Beck's capital base permits an underwriting capacity in excess of \$500,000,000. Excess capital stood at nearly \$38 million as of June 30, 2005. In addition, Ryan Beck recently added several senior investment banking and underwriting professionals, formally of Legg Mason, who have extensive experience as senior managers on health care financings in New Jersey and elsewhere.

Based on the information submitted, staff recommends adding Ryan Beck & Co. to the Authority's list of qualified bankers as a senior managing underwriter. Mr. Hopkins noted that, if the recommendation is approved, Ryan Beck will still be required to certify, on a quarterly basis, that there has been no material change in its financial condition since submitting its statement of qualifications to the Authority.

As is the case with other firms on the Authority's approved list, Ryan Beck must remain compliant with Executive Order #134 and, if it fails to do so, will automatically be ineligible to serve in any capacity on Authority financings. Additionally, Ryan Beck will be under an ongoing obligation to report to the Authority if it no longer complies with Executive Order #134.

Mr. Tetelman asked what happens if the newly hired banking professionals that specialize in the service leave Ryan Beck & Co. Mr. Hopkins stated that the firm is required to inform the Authority of any changes to the statement of qualifications it has submitted. Mr. Hancock added that, due to the exit of those banking professionals from Legg Mason, the Authority will be reevaluating Legg Mason's qualifications for service in the Authority's various banking capacities. In addition, in response to recent news that Merrill Lynch has acquired Advest, both of whom are on the Authority's qualified banking list, staff will be contacting Merrill Lynch to find out the conditions of the merger and how the union will affect their respective Authority banking qualifications.

Ms. Phillips then offered a motion to approve the qualification of Ryan Beck & Co. to serve as a senior managing underwriter on Authority financings. Ms. Kralik seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. FF-18

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the qualification of Ryan Beck & Co. to serve as a senior managing underwriter on Authority financings.

APPROVAL OF PREVAILING WAGE REGULATIONS

Mr. Hopkins reminded the Members of their approval of draft Prevailing Wage Regulations at the Authority's February 24, 2005 meeting. The Authority was required to promulgate the regulations pursuant to an amendment to the Authority's enabling act adopted by the New Jersey Legislature in August of 2004. That legislation and the subject regulations generally require that any worker employed in the construction or rehabilitation of a facility, undertaken with the assistance of the Authority, be paid the applicable prevailing wage.

After incorporating revisions recommended by the Attorney General's office and approved by Mr. Hopkins, the Prevailing Wage Regulations were submitted for publication in March and were published in the New Jersey Register on April 18, 2005. Any comments to the regulations were originally due by June 20, 2005. No comments were received by the Authority.

Mr. Hopkins noted that, upon requesting publication of the final regulations, the Office of Administrative Law informed the Authority that additional notice was required for the regulations including providing the information to the State House Media and allowing for an additional 30 days for comments. The Authority provided a press release and the full text of the regulations to the State House Media, posted the press release and the full text of the regulations on the Authority's website and provided e-mail notification to the hospitals and the trade associations on the Authority's extensive mailing list. The comment period was extended until September 20, 2005. Again, no comments were received regarding the Prevailing Wage Regulations.

Mr. Hopkins asked the Members to, once again, vote to enact the final Prevailing Wage Regulations as published. Mr. Escher offered a motion to do so; Ms. Phillips seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. FF-19

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the Prevailing Wage Regulations as published in the New Jersey Register.

AUTHORITY EXPENSES

Mr. Tetelman referred to a summary of Authority expenses and invoices. Mr. Escher noted that there was only one check from the Authority's operational account beyond the Authority's stamping threshold, which is unusual. Mr. Ittleson noted that the dollar threshold for manual signatures was increased last year and, with the increased threshold, the reduction in the number of checks to be signed was expected. Mr. Escher offered a motion to approve the bills and to authorize their payment; Ms. Phillips seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. FF-20

WHEREAS, the Authority has reviewed memoranda dated September 22, 2005, 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 \$705,518.94, \$43,300.68 and \$8,966.65 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. Tetelman referenced staff reports that were distributed for review, including the Project Development Summary, Interest Rate Trends Graph, Cash Flow Statement, and Legislative Advisory.

Mr. Hopkins began his Executive Director's report by stating that the Authority received only one set of comments to the Hospital Asset Transformation Program regulations. The comments were from the New Jersey Hospital Association and were provided to each of the Members at the last meeting. Generally, the comments sought to broaden the eligibility of hospitals by permitting (i) a longer time frame for which hospitals with closed acute care facilities may apply for aid under the HATP; (ii) allow consideration of hospitals that do not meet the proposed regulation threshold requirement of a capital ratio of 4% or greater; and (iii) allow consideration of hospitals whose gross revenues from Medicaid, charity care and self-pay do not reach the proposed regulation threshold of at least 25%. No other comments were received during the extended comment period, which ended on September 20th, 2005. The Authority staff will review the comments and present its recommendations to the Authority Members at a future meeting.

Mr. Hopkins also stated that Staff is currently in the process of preparing a proposed Authority budget for presentation to the Finance Committee. The Finance Committee is scheduled to meet

on Tuesday, October 11 at 10:00 a.m. He added that, due to Hurricane Katrina, the NCHFFA and NAHEFA conference in New Orleans was cancelled, and he noted that Thursday, October 20th, he will be speaking at the New Jersey Institutional Investors Forum at the New Jersey Performing Arts Center in Newark. Mr. Hopkins then announced that Victoria Pratt, the Authorities Unit Representative, is leaving her post to serve the Camden Board of Education. He thanked her for her assistance during her tenure with the Authority.

Mr. Tetelman reminded the Authority about the upcoming Asthma Summit coordinated by the Department of Health and sponsored by this Authority. Mr. Hopkins stated that the Summit will be held on September 30th and all Authority Members have been invited.

EXECUTIVE SESSION

As permitted by the Open Public Meetings Act and the Authority's By-Laws, the Members voted to meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General. Mr. Tetelman stated that the results of the discussion would be made known at such time as the need for confidentiality no longer existed. Mr. Escher offered a motion to enter the session; Ms. Phillips seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. FF-21

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

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

Public session reconvened.

ADJOURN

As there was no further business to be addressed, Mr. Escher moved to adjourn the meeting, Ms. Kralik seconded. The vote was unanimous and the motion was carried at 12:00 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 SEPTEMBER 22, 2005.

Dennis Hancock
Assistant Secretary

**EXECUTIVE SESSION
AUTHORITY MEETING**

ATTENDEES: Ed Tetelman, designee of the Commissioner of Health and Senior Services; Gus Escher, Public Member; Freida Phillips, designee of the Commissioner of Human Services; Maryann Kralik, designee of the Commissioner of Banking and Insurance; Mark Hopkins, Dennis Hancock, Steve Fillebrown, Susan Tonry, Jim Van Wart, staff; Clifford T. Rones, Deputy Attorney General; and, Victoria Pratt, the Authorities Unit.

CONTRACTUAL MATTERS:

Members discussed the following distressed credits:

- Barnert Hospital
- Passaic Beth Israel Regional
- Cathedral Health Services
- Columbus Hospital
- Jersey City Medical Center
- Pascack Valley Hospital
- St. Joseph's Wayne Hospital
- St. Mary's Hospital, Passaic
- Warren Hospital
- East Orange General Hospital
- Deborah Heart and Lung Center

As there was no further business, Mr. Escher made a motion to exit the session; Ms. Phillips seconded. The vote was unanimous and the motion carried.