

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on July 27, 2006 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

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

Fred M. Jacobs, M.D., (Chairman) Commissioner of Health and Senior Services; Moshe Cohen, Ph.D., Public Member; Gus Escher, Public Member; Freida Phillips, Designee of the Commissioner of Human Services; and, Maryann Kralik, Designee of the Commissioner of Banking and Insurance.

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

Mark Hopkins, Dennis Hancock, Jim Van Wart, Steve Fillebrown, Michael Ittleton, Suzanne Walton, Susan Tonry, Carole Conover, Bill McLaughlin, Wanda Lewis, and Stephanie Bilovsky.

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

Jack Swire, Wachovia Bank; Alex Dinkels, Fairmount Capital Advisors, Inc.; David Mebane, Saint Barnabas Health Care System; Francine Katz, Windels Marx Lane & Mittendorf, LLP; Edward Tetelman, Designee of the Commissioner of Health and Senior Services; Ron Napiorski, Cathedral Health Services; and, Clifford T. Rones, Deputy Attorney General.

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

Dr. Jacobs called the meeting to order at 10:02 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 25, 2006 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

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

#### ***June 22, 2006 Authority Meeting***

The minutes for the Authority's June 22, 2006 meeting were distributed for review and approval. Mr. Escher offered a motion to approve the minutes; Ms. Phillips seconded. Dr. Jacobs voted yes, Dr. Cohen voted yes, Mr. Escher voted yes, Ms. Phillips voted yes, and Ms. Kralik voted yes. The motion carried and the minutes were approved.

### ***CONTRACT EXTENSION of the CAP PROGRAM ADMINISTRATOR***

Jim Van Wart began by introducing Alex Dinkels, Senior Analyst from Fairmount Capital Advisors, Inc. He then reminded the Members that a Request for Proposals process was undertaken in May 2002, consistent with the Authority's practice of conducting a competitive process to award a contract for the program administrator of the Capital Asset Loan Program ("CAP"), Series A-D. The process included distributing an information package to all firms that expressed an interest in serving the role and the placing legal advertisements in *The Bond Buyer*.

At the August 22, 2002 Authority meeting, the Members appointed Fairmount Capital Advisors, Inc. ("Fairmount") as the CAP program administrator for a two-year period. Article III, Section B of the contract stated, "the Authority and Fairmount reserve the right to extend the terms of this Agreement for a maximum of three additional one-year periods," and added, "in the event the Agreement is extended, all of the original terms will remain in effect for the extended period." At the August 2005 meeting, the Authority approved the second of the three possible extensions.

Authority staff is very pleased with Fairmount's performance under the current contract, as well as under previous contracts with them in this role. On behalf of staff, Mr. Van Wart recommended that the Members appoint Fairmount for the third and final one-year extension, which would be effective from October 1, 2006 through September 30, 2007 at a fee of \$14,000 per year. This fee has not changed since 2002.

Mr. Escher offered a motion to approve the third and final one-year extension of the contract, reaffirming Fairmount as the Program Administrator for the Authority's Capital Asset Loan Program. Ms. Phillips seconded. The vote was unanimous, and the motion carried.

### **AB RESOLUTION NO. GG-15**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the third and final one-year extension of the Authority's contract with Fairmount Capital Advisors, reaffirming Fairmount as the Program Administrator for the Authority's Capital Asset Loan Program effective from October 1, 2006 through September 30, 2007 at a fee of \$14,000 per year.

### ***AMENDMENT TO PROJECT***

#### ***Cathedral Health System, Series 2002A***

Mr. Van Wart reminded the Members that on July 31, 2002, the Authority issued Series 2002A Bonds on behalf of Cathedral Health Services Obligated Group ("Cathedral") in the amount of \$3,000,015. The proceeds of the bonds were to finance certain capital equipment manufactured by General Electric Corporation. The bonds were secured with a lien and security interest on the financed equipment.

Mr. Van Wart stated that Cathedral requests approval from the Authority to amend the equipment purchase related to the 2002A Series to permit Cathedral to substitute an Angiography Machine and a 16 Slice CT Scan in lieu of GEMS Advance NX/1 Fixed Pet System.

Bond counsel Windels Marx Lane & Mittendorf LLP opined that the equipment substitution: (i) is permitted under the bond documents; (ii) will not adversely affect the holders of the Bonds; (iii) is not contrary to any of the provisions of the Internal Revenue Code or regulations; and (iv) will not affect the tax-exempt status of the Series 2003 Bonds. Mr. Van Wart added that the Attorney General's office reviewed the resolution and opinion with no objection to consideration of this matter. Therefore, based upon the Bond Counsel opinion that the project amendment will not adversely affect the rights of the bondholders or the tax-exempt status of the bonds, staff recommended that the resolution be approved.

Mr. Escher offered a motion to amend the project on behalf of Cathedral Health System's Series 2002A bonds; Dr. Cohen seconded. The vote was unanimous, and the motion carried.

#### **AB RESOLUTION NO. GG-16**

*(see attached corresponding documents)*

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the project amendment titled "A RESOLUTION AUTHORIZING THE SUBSTITUTION OF EQUIPMENT FINANCED THROUGH THE ISSUANCE OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY'S REVENUE BOND, CATHEDRAL HEALTH SERVICES ISSUE, SERIES 2002A".

#### ***AMENDMENT OF BOND DOCUMENTS***

##### ***Saint Barnabas Health Care System***

Wanda Lewis described Saint Barnabas Health Care System as New Jersey's largest integrated health care delivery system. On July 1, 1998, the Authority issued \$75,870,000 in revenue and refunding bonds on behalf of Saint Barnabas Medical Center/West Hudson Hospital Obligated Group, Series 1998A Issue. The proceeds of the bonds were used to advance refund the Saint Barnabas Medical Center Issue, Series B and to refund West Hudson Hospital Association, Inc. Issue, Series B.

Ms. Lewis reported that Saint Barnabas Corporation (the parent entity) recently sold the land and building comprising the former West Hudson Hospital for \$3,875,000. In order to protect the tax-exempt nature of the outstanding bonds the Sale Proceeds must be spent in accordance with federal tax regulations.

Bond counsel Windels Marx Lane & Mittendorff, LLP worked with Saint Barnabas Corporation and determined that the sale proceeds may be spent on the items identified in a letter from Saint Barnabas Health Care System, which had been distributed in the Members' mailing packages. As such, bond counsel Francine Katz prepared a form of a Supplemental Series Resolution that authorizes the establishment of an additional account within the existing Construction Fund for the deposit of the West Hudson Sale Proceeds, as well as a Supplemental Agreement between the Authority and Saint Barnabas Corporation. According to the Supplement Agreement: (i) Saint Barnabas agrees to deliver the sale proceeds to the Authority for deposit with the bond trustee, and (ii) Saint Barnabas agrees that the sums requisitioned from the West Hudson sale proceeds account will be spent solely on those items that have been identified.

Additionally, upon culmination of the transaction, Windels Marx Lane & Mittendorf will deliver an opinion to the Authority that the use of the sale proceeds will not adversely affect the tax-exempt status of the bonds, noting that the Supplemental Resolution has been duly and lawfully adopted by the Authority and that the Agreement is a valid and binding obligation.

On behalf of staff, Ms. Lewis then requested that the Authority adopt the Supplemental Series Resolution and authorize the execution and delivery of the Supplemental Agreement and various other documents relating to the use of the West Hudson sale proceeds.

Mr. Escher offered a motion to adopt the proposed Supplemental Series Resolution, and approve the execution of various documents contemplated in that resolution, addressing Saint Barnabas Health Care System's use of proceeds garnered by the West Hudson Hospital sale. Ms. Phillips seconded. The vote was unanimous, and the motion carried.

#### **AB RESOLUTION NO. GG-17**

*(See documents attached)*

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts "A SECOND SUPPLEMENTAL SERIES RESOLUTION AUTHORIZING THE ESTABLISHMENT OF AN ADDITIONAL ACCOUNT WITHIN THE CONSTRUCTION FUND"; and,

**BE IT FURTHER RESOLVED**, that the Authority approves the execution of various documents contemplated in that Resolution, addressing Saint Barnabas Health Care System's use of proceeds garnered by the sale of West Hudson Hospital.

#### ***AUTHORITY EXPENSES***

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

#### **AB RESOLUTION NO. GG-18**

**WHEREAS**, the Authority has reviewed memoranda dated July 27, 2006, 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 \$679,324.94, \$47,319.68 and \$3,352.44 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.

## ***OLD/NEW BUSINESS***

### ***Resolution of Appreciation for Carmen Saginario Jr.***

Dr. Jacobs stated that on July 12th, the Authority received a notice of resignation from Public Member Carmen Saginario Jr. Gus Escher read the proposed Resolution of Appreciation in honor of Mr. Saginario's service with the Authority. Mr. Escher made a motion to adopt the Resolution of Appreciation; Ms. Phillips seconded. The vote was unanimous and the motion was carried.

## **AB RESOLUTION NO. GG-19**

*(attached)*

## ***STAFF REPORTS***

Dr. Jacobs referenced staff reports that were distributed for review, including the Project Development Summary, Interest Rate Trends Graph, Cash Flow Statement, and a Legislative Advisory. Mr. Escher asked if there were any issues of interest in the Legislative Advisory report, to which Mr. Hopkins replied that he would be addressing two Senate bills in his Executive Director's report to come later. Dr. Jacobs then turned the floor over to Steve Fillebrown to present the latest findings of the Authority's APOLLO database.

The database includes 65 hospitals or hospital systems, covering 100% of the acute care hospitals in New Jersey. Fourth quarter 2005 information is currently a mix of audited and unaudited data; information for all other periods is based on unaudited statements.

According to APOLLO's findings, the median operating margin for the first quarter of 2006 crept up slightly from the year-end figure of .39% to .54%. However, since the first quarter is typically the strongest in terms of operating margin for New Jersey hospitals a more relevant comparison is to the first quarter of 2005, for which the median was .91%. The median profit margin dropped from 1.78% at year-end to .89% for the first quarter. This is also below the median for the first quarter of 2005.

Mr. Fillebrown noted that liquidity measures were mixed. Median days cash on hand dropped by two down to 70 days. On the other hand, the median for accounts payables improved by seven down to 59 days while the median days in accounts receivable was stable at 50. Leverage ratios also showed mixed results. Debt to capitalization (45%) showed improvement over figures for both the year-end and the first quarter last year. Debt to net fixed assets and cash to debt were basically unchanged. The median for debt service coverage (2.37) was lower than that of both the year-end and first quarter of 2005, presumably due to the lower operating and profit margins.

Also, according to the data, 28 hospitals (43%) lost money from operations in the first quarter of 2006 compared to 27 hospitals in 2005's first quarter. Of these 28 hospitals, 25 incurred bottom line losses; the comparable figure for first quarter of 2005 is 22.

Mr. Fillebrown reported that volume declines continue to be an important factor in the financial distress of many hospitals. Although total admissions statewide were essentially flat when comparing the first quarters of 2005 and 2006, viewing the hospitals individually shows that thirty-five hospitals experienced a drop in admissions in that time. In addition, a jump in median expense per adjusted admission to \$9,112 suggests that hospitals may be having difficulties in adjusting expenses fast enough to match volume declines.

Noting the differences in financial performance between the various peer groups, Mr. Fillebrown stated that the pronounced differences noted in the second quarter of 2005 continued into the first quarter of 2006. Financial performance appears closely related to factors such as location (hospitals in the southern half of the state are financially stronger) and income status (the higher the per capita income of the patient base, the better the financial results). The differences based on bed size are not as consistent as they were in 2005, but medians for large hospitals (greater than 400 beds) are clearly stronger than those of mid-sized hospitals (200-399 beds) and small hospitals (less than 200 beds).

Mr. Fillebrown then noted that, in the earlier New Jersey State Budget discussions, there were various proposals for a reduction in charity care reimbursements that would have a wide swing effect on the bottom-line of New Jersey's hospitals. The budget that was passed, however, froze charity care reimbursement at its 2006 level. Having no shift in the reimbursement is good news for some hospitals and bad news for others. However, there was also a continuation of hospital assistance grants, though they also had been threatened by the budget talks, which is beneficial to some of the state's hospitals.

Ed Tetelman asked if the Authority had performed any studies to analyze the effect of the current movement towards freestanding surgery centers and whether or not they are a leading factor contributing to the drop in hospital admissions. Mr. Fillebrown stated that such centers are often noted by the hospitals as a factor for the reduced admissions, and this can also be seen in the hospitals' same-day surgery numbers. Dr. Jacobs noted that the new 3.5% tax on freestanding center services was designed to act as compensation to the hospitals since the funds go into charity care reimbursement, however, whether or not this tax provides enough assistance is yet to be determined.

There were no further questions from the Members; he thanked staff for preparing the reports. Mr. Hopkins then announced the following items as his Executive Director's Report:

1. Staff prepared a packet of press clippings of recent hospital news for each Authority Member. Included are the following stories:

- a. PBI Regional Medical Center filed for Chapter 11 reorganization on July 10, 2006. The proceedings are progressing on schedule; this should help PBI get out from under much of its debt. As an aside, Commerce Bank, as the sole bondholder, accelerated the 2003 bonds issued by the Authority on behalf of PBI. Those bonds remain outstanding in default. Commerce also issued a mandatory purchase notice for the 2004 Comp Bonds issued on behalf of PBI. The purchase took place July 17<sup>th</sup>. Those bonds are no longer outstanding as they were paid by the Commerce Letter of Credit. PBI's obligation with respect to the amount of those bonds is now directly to Commerce Bank.

b. The boiler in St. Mary's Hospital in Passaic exploded causing the hospital to close for several days. Fifty of the hospital's 80 patients were transferred, mostly to St. Joseph's Hospital and Medical Center in Paterson and a few behavioral health patients to Newark Beth Israel. The remaining patients were able to be discharged. Walk-in patients were referred to PBI. The boiler is now fixed and St. Mary's is open and operating again.

c. St. Clare's Hospital is relocating its behavioral health services from the Boonton campus to its Dover campus. St. Clare's will then put its Boonton campus up for sale and will seek a joint venture or new sponsor for its nursing home on the Dover Campus. St. Clare's will also seek a new partner, sponsor, or buyer to help develop Saint Clare's Hospital in Sussex.

d. Several hospitals are experiencing difficulty with their unionized nurses. Englewood Hospital and Medical Center's 660 nurses are on strike and the hospital has since employed a temporary nursing staff. The nurses at the Robert Wood Johnson University Hospital in New Brunswick have voted to authorize a strike if negotiations for a new contract fail. Additionally, Virtua Health's 1600 nurses, who have been working without a contract since June 11, 2006, did some informational picketing at Virtua's Voorhees campus on July 25<sup>th</sup> just before the resumption of contract negotiations, which began after a mediator's recommended two-week cooling off period.

e. Bayonne Hospital terminated 30 senior and middle level managers, resulting in approximately \$2.2 million in savings.

2. On July 6<sup>th</sup>, staff met with Barry Ostrowski and Tom Scott of St. Barnabas Health Care System regarding the system's settlement with Medicare. St. Barnabas also brought their financial advisor, Mike Irwin from Citibank, Wilbur Arnold from Deloitte & Touche, and Patricia Moscatello and Francis Taylor from Ponder & Co. Their presentation was thorough and explained how the system would deal with the financial impact of the settlement. Despite the System's best efforts, Fitch Ratings and Standard & Poor's have downgraded the System's bonds from BBB+ to BBB. Moody's followed suit with a downgrade from Baa1 to Baa2.

3. Governor Corzine has nominated former Commissioner of Human Services Kevin Ryan to serve as the first commissioner of the newly formed Department of Children and Families. James W. Smith will serve as Acting Commissioner of the Department of Human Services until the Governor's nominee as permanent Commissioner, Clarke Bruno, is affirmed. Mr. Smith was the Acting Assistant Commissioner of the Division of Addiction Services. Mr. Bruno previously served as General Counsel to the New York City Department of Homeless Services.

4. Senate Bill 2022 establishing Municipal Hospital Authorities was passed by both houses of the legislature on July 8, 2006 and signed by the Governor on July 11, 2006. The legislation creates a vehicle for the City of Hoboken to assume ownership of St. Mary Hospital, a very narrow application. To that end, a "project" is defined in the legislation as "the acquisition . . . of a hospital located within a city through a contract or other agreement requiring at least \$12 million in working capital contributions from either the prior owner

thereof or another nongovernmental source.” We had suggested changes to the legislation that would have required any financing for a hospital owned by a municipal hospital authority to be done through our Authority. Though that proposal was supported by the Department of Community Affairs, it was not incorporated in the legislation partially due to timing as well as the desire to keep control local.

5. Senate Bill 1189 was also passed on July 8<sup>th</sup> and is currently awaiting the Governor’s signature. The bill proposes to make economic development projects eligible to be financed by County Improvement Authorities. The language describing economic development projects is rather narrow, however, out of an abundance of caution, staff contacted the Governor’s office and the Senate Majority office to recommend adding language limiting the financing of economic development projects to only those that cannot be financed by the Authority. Such language is included in the existing County Improvement Authorities Law where it permits the financing of 501(c)(3) projects.

Mr. Escher asked if the intent for this legislation was to finance hospitals, to which Mr. Hopkins replied that health care finance did not appear to be the motivation for the bill, however, staff would like to specifically limit that possibility to close off the option for future financings. Mr. Escher said that he works extensively with such municipality improvements and noted that, though the municipalities have been anticipating this bill, he had never heard of their intent to use it for health care finance. However, if that does become an option, one cannot say that it would not be used as such in the future. Mr. Hopkins noted that when municipalities were given the authority to finance redevelopment projects, language prohibiting hospital finance was not included and, as a result, Cooper Hospital is using that financing avenue instead of going through this Authority.

6. The Authority has received \$16,000 from Clean Cities Grant through the Department of Environmental Protection, as a reimbursement to the Authority for the incremental cost of purchasing cleaner fuel cars, since the Authority’s purchase of four Toyota Priuses last year.

During the staff reports, Mr. Escher had received a call from Carmen Saginario Jr. who hoped to attend the meeting but had a last minute schedule conflict. He, quoting Mr. Saginario, thanked the Authority for the Resolution of Appreciation and then noted that Mr. Saginario would like to come in to thank staff and personally receive the framed Resolution when it is ready for pick up.

### ***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. Dr. Jacobs 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. GG-20**

**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. As there was no further business to be addressed, Mr. Escher moved to adjourn the meeting, Ms. Phillips 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 JULY 27, 2006.

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Dennis Hancock  
Assistant Secretary

*See AB RESOLUTION NO. GG-16*

**A RESOLUTION AUTHORIZING THE  
SUBSTITUTION OF EQUIPMENT FINANCED  
THROUGH THE ISSUANCE OF THE NEW JERSEY  
HEALTH CARE FACILITIES FINANCING  
AUTHORITY'S REVENUE BOND, CATHEDRAL  
HEALTH SERVICES ISSUE, SERIES 2002A**

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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, as amended (N.J.S.A. 26:2I-1, et seq.) (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 (the **"State"**); and

**WHEREAS**, the Authority is authorized under the Act to make loans to "health care organizations" for the construction of "projects" (as such terms are defined in the Act) and to issue its bonds for the purpose of carrying out its powers under the Act; and

**WHEREAS**, Cathedral Health Services, Inc. (the **"Borrower"**) is a nonprofit corporation organized under the laws of the State and a health care organization; and

**WHEREAS**, the Authority has previously issued its Revenue Bond, Cathedral Health Services Issue, Series 2002A (the **"Bond"**) in the original aggregate principal amount of \$3,000,015, pursuant to the provisions of the Act and a Bond Resolution of the Authority adopted on June 27, 2002 (the **"Bond Resolution"**); and

**WHEREAS**, the proceeds of the sale of the Bond have been deposited with the Fiscal Agent (as hereinafter defined) to be used to pay the costs of the Project (as defined in the Bond Resolution), including the acquisition of Equipment (as defined in the Loan Agreement), pursuant to that certain Escrow Agreement among the Authority, General Electric Capital Corporation, as purchaser of the Bond (the **"Purchaser"**), the Borrower and The Bank of New York, as fiscal agent thereunder (the **"Fiscal Agent"**) dated as of July 1, 2002, as amended by that certain Amendment No. 1 dated as of August 2, 2004, by that certain Amendment No. 2 dated as of November 16, 2005, and by that certain Amendment No. 3 dated as of July 17, 2006, 2006 (as amended, the **"Escrow Agreement"**); and

**WHEREAS**, the Authority has loaned the proceeds of the sale of the Bond to the Borrower in accordance with the terms of the Loan Agreement among the Authority, the Purchaser, and the Borrower dated as of July 1, 2002 (the **"Loan Agreement"**); and

**WHEREAS**, as part of the Project, the Borrower intended at the time of the issuance of the Bond, to use a portion of the Bond proceeds to finance the costs of acquiring a GEMS Advance NX/1 Fixed PET System (the “**Pet System**”) which is an item of Equipment; and

**WHEREAS**, the Borrower has reevaluated its needs and now desires to acquire certain other equipment described on **Exhibit A** hereto (the “**Substituted Equipment**”) in place of the Pet System by using unexpended Bond proceeds on deposit in the Project Account of the Project Fund established by the Escrow Agreement (the “**Substitution**”); and

**WHEREAS**, the Loan Agreement provides that the Borrower may substitute additional items of equipment for the Equipment by, among other things, obtaining the Purchaser’s and the Authority’s prior written consent to such substitution; and

**WHEREAS**, the Purchaser has delivered its written consent to the Substitution.

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

**Section 1. Consent to Substitution.** The Authority hereby consents to the Borrower’s acquisition of the Substituted Equipment in place of the Pet System in accordance with the terms of the Loan Agreement and the Escrow Agreement.

**Section 2. Incidental Action.** The Authorized Officers of the Authority are hereby authorized and directed to execute and deliver such other documents and to take such other action as may be necessary or appropriate in order to effectuate the actions contemplated by this Bond Resolution, all in accordance with the foregoing sections hereof.

**Section 3. Prior Resolutions.** All prior resolutions of the Authority or portions thereof inconsistent herewith are hereby replaced.

**Section 4. Effective Date.** This Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of 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 the subsection (i) of Section 4 of the Act.

## **EXHIBIT A**

### ***SUBSTITUTED EQUIPMENT***

1. Angiography machine to perform cardiac catheterizations
2. 16 Slice CT Scan

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**NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY**

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**SUPPLEMENTAL SERIES RESOLUTION**

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**Adopted: July 27, 2006**

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**SECOND SUPPLEMENTAL SERIES RESOLUTION**

**A SECOND SUPPLEMENTAL SERIES RESOLUTION AUTHORIZING THE  
ESTABLISHMENT OF AN ADDITIONAL ACCOUNT WITHIN THE  
CONSTRUCTION FUND**

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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. 26:21-1, 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 October 29, 1992 its General Health Care Facilities Registered Bond Resolution (the “**General Resolution**”); and

**WHEREAS**, the General Resolution authorizes the issuance by the Authority, from time to time, of its revenue bonds, in one or more series, for the authorized purposes of the Authority; and

**WHEREAS**, the Authority duly adopted on July 23, 1998 its Series Resolution entitled “A Series Resolution Authorizing the Issuance of New Jersey Health Care Facilities Financing Authority Revenue and Refunding Bonds (Saint Barnabas Medical Center/West Hudson Hospital Obligated Group) Series 1998A” (the “**Series 1998A Bonds**”) and duly adopted on July 30, 1998 its Supplemental Series Resolution entitled “A Supplemental Series Resolution Authorizing the Insurance Provider of Saint Barnabas Medical Center” (as so amended and supplemented, the “**Series Resolution**”); and

**WHEREAS**, a public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended, will be conducted on August 1, 2006, after public notice of such hearing was published at least fourteen days prior thereto; and

**WHEREAS**, a portion of the proceeds of the Series 1998A Bonds were spent at West Hudson Hospital Association (“**West Hudson**”); and

**WHEREAS**, Clara Maass Medical Center, Inc., a subsidiary of Saint Barnabas Corporation (“**Saint Barnabas**”), has recently sold West Hudson to Hillcrest Development and Management Co., Inc. for a sale price of \$3,875,000 (the “**Sale Proceeds**”); and

**WHEREAS**, the Authority and Saint Barnabas desire for the Sale Proceeds to be deposited with the Trustee and spent on the Supplemental Project (as defined herein).

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

## ***DEFINITIONS AND AUTHORITY FOR SECOND SUPPLEMENTAL RESOLUTION***

### ***Definitions***

As used in this Second Supplemental Resolution, unless the context otherwise requires, all words and terms which are defined in Section 1.01 of the General Resolution shall have the same meaning in this Second Supplemental Resolution as are given to such words and terms by Section 1.01 of the General Resolution or Section 1.1 of the Series Resolution or the Supplemental Resolution, as the case may be. The words defined in the preamble hereto shall be incorporated into this Section 1.1 by reference.

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

**“Second Supplemental Resolution”** means this Second Supplemental Resolution adopted July 27, 2006.

**“Supplemental Agreement”** means an agreement between the Authority and Saint Barnabas whereby Saint Barnabas agrees, among other things, to deliver the Sale Proceeds to the Authority for deposit with the Trustee and to spend the Sale Proceeds solely on the Supplemental Project in accordance with the terms of such agreement.

**“Supplemental Project”** means the construction of capital improvements and acquisition of equipment for Newark Beth Israel Medical Center and Saint Barnabas Medical Center, all as more particularly described in the Supplemental Agreement.

**“West Hudson Sale Proceeds Account”** means the account so designated within the Construction Fund, established pursuant to Section 2.1 hereof.

### ***Authority for the Second Supplemental Resolution.***

This Second Supplemental Resolution is adopted pursuant to and in accordance with the provisions of the Act and Section 10.05 of the General Resolution.

## ***SUPPLEMENTS TO THE SERIES RESOLUTION***

### ***Supplements to the Series Resolution.***

As a supplement to Section 3.1 of the Series Resolution, the West Hudson Sale Proceeds Account is hereby established and shall be held, maintained and applied by the Trustee in accordance with Article V of the General Resolution. The West Hudson Sale Proceeds Account is pledged as security for the Bonds and is to be held by the Trustee in trust for the sole benefit of the Bondholders.

The Trustee is directed to deposit the Sale Proceeds into the West Hudson Sale Proceeds Account and use the Sale Proceeds to pay the Costs of the Supplemental Project.

### **SUPPLEMENTAL AGREEMENT**

#### ***Approval of Supplemental Agreement.***

The form of the Supplemental Agreement presented to the meeting at which this Second Supplemental Resolution is adopted (a copy of which shall be filed with the records of the Authority) is hereby approved and the Chairman, Vice Chairman, Executive Director or Deputy Executive Director are each hereby authorized and directed

to execute, acknowledge and deliver, and the Secretary or Assistant Secretary are each hereby authorized and directed to affix and attest the seal of the Authority to the Supplemental Agreement in substantially such form, with such changes therein as counsel may advise and the officers executing the same may approve, such approval to be evidenced by their execution thereof.

### ***MISCELLANEOUS***

#### ***Second Supplemental Resolution to Govern.***

To the extent that the provisions of this Second Supplemental Resolution are inconsistent with the provisions of the General Resolution or the Series Resolution, the provisions of this Second Supplemental Resolution shall control.

#### ***Incidental Action.***

The Authorized Officers of the Authority are hereby authorized and directed to execute and deliver such other documents, and to take such other action as may be necessary or appropriate in order to effectuate the intent of this Second Supplemental Resolution.

#### ***Prior Resolutions.***

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

#### ***Amendments.***

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

#### ***Effective Date.***

This Second Supplemental Resolution shall take effect 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 this Second 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.



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**SUPPLEMENTAL AGREEMENT**

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**BETWEEN**  
**NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY**  
**AND**  
**SAINT BARNABAS CORPORATION**

**Dated: August \_\_, 2006**

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## SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is dated as of \_\_\_\_\_, 2006 (the “**Supplemental Agreement**”), between the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the “**Authority**”), a public body corporate and politic and a political subdivision of the State of New Jersey and SAINT BARNABAS CORPORATION, a nonprofit corporation, duly incorporated and existing under the laws of the State of New Jersey (the “**Institution**”) and its permitted successors and assigns (collectively, the “**Borrower**”).

### WITNESSETH:

**WHEREAS**, the Authority has previously issued its Revenue and Refunding Bonds (Saint Barnabas Medical Center/West Hudson Hospital Obligated Group) Series 1998A (the “**Bonds**”) pursuant to its General Health Care Facilities Registered Bond Resolution duly adopted on October 29, 1992 (the “**General Resolution**”) and its Series Resolution duly adopted on July 23, 1998, as supplemented by its Supplemental Series Resolution duly adopted on July 30, 1998 and its Second Supplemental Series Resolution (the “**Second Supplemental Resolution**”) duly adopted on July 27, 2006 (as so amended and supplemented, the “**Series Resolution**” and together with the General Resolution, the “**Resolution**”); and

**WHEREAS**, the proceeds of the Bonds were loaned to the Institution, as successor in interest to Saint Barnabas Medical Center, Inc. and West Hudson Hospital Association, pursuant to that certain Loan Agreement dated as of July 1, 1998, as amended by that certain [Amendment to Loan Agreement dated as of \_\_\_\_\_, 1998] (as so amended and supplemented, the “**Loan Agreement**”); and

**WHEREAS**, a portion of the proceeds of the Series 1998A Bonds were spent at West Hudson Hospital Association (“**West Hudson**”); and

**WHEREAS**, Clara Maass Medical Center, Inc., a subsidiary of Saint Barnabas Corporation (“**Saint Barnabas**”), has recently sold West Hudson to Hillcrest Development and Management Co., Inc. for a sale price of \$3,875,000 (the “**Sale Proceeds**”); and

**WHEREAS**, pursuant to the Second Supplemental Resolution, the Authority has established the West Hudson Sale Proceeds Account within the Construction Fund established by the Resolution to be held by the Trustee; and

**WHEREAS**, the Authority and Saint Barnabas desire for the Sale Proceeds to be deposited in the West Hudson Sale Proceeds Account and spent on the Supplemental Project (as defined herein).

**NOW, THEREFORE, BE IT RESOLVED**, in consideration of the agreements, conditions and covenants hereinafter contained, intending to be legally bound, the parties hereto covenant and agree as follows:

## **DEFINITIONS**

### *Definitions.*

The following terms shall, for all purposes of this Supplemental Agreement, have the following meanings unless the context shall clearly indicate some other meaning:

**“Prevailing Wage Act”** means the New Jersey Prevailing Wage Act P.L. 1983, c.530, as amended by P.L. 2004, c. 127, (N.J.S.A. 34:11-56.25 et seq.), as the same may be amended from time to time.

**“Prevailing Wage Provisions”** means the provisions of the Prevailing Wage Act, the provisions of the Prevailing Wage Regulations and the resolutions, rules and regulations of the Authority, as adopted, amended and supplemented from time to time, requiring that workers engaged in Construction Contracts be paid a wage rate not less than the Prevailing Wage Rate, and that the Borrower and all Contractors file such certificates, reports and records and do other prescribed acts as are necessary to demonstrate or assure compliance.

**“Prevailing Wage Rate”** means the prevailing wage rate established by the Commissioner of the New Jersey Department of Labor and Industry from time to time in accordance with the provisions of N.J.S.A. 34:11-56.30 for the locality in which the Supplemental Project is located.

**“Prevailing Wage Regulations”** means the regulations set forth in N.J.A.C. 8:95-1.1 et seq., as amended from time to time.

**“Supplemental Project”** means the construction of capital improvements and acquisition of equipment for Newark Beth Israel Medical Center and Saint Barnabas Medical Center, all as more particularly described on **Exhibit A** attached hereto.

All capitalized terms used herein and defined in the Loan Agreement shall have the meanings ascribed to such terms in the Loan Agreement.

All capitalized terms used herein and defined in the Resolution shall have the meanings ascribed to such terms in the Resolution.

## **THE SUPPLEMENTAL PROJECT**

### *Deposit of Sale Proceeds.*

The Borrower hereby agrees to pay to the Authority the Sale Proceeds for deposit by the Trustee in the West Hudson Sale Proceeds Account.

### *Requisition of Monies.*

The Borrower agrees that the sums requisitioned from the West Hudson Sale Proceeds Account will be used only for the Costs of the Supplemental Project, or to reimburse the Borrower for payments made by it for such Costs, and will not be used for any other purpose. The Borrower agrees that, upon request of the Authority, it shall supply to the Authority such documentation as will enable the Authority to determine that the Sale Proceeds are applied solely to Costs of the Supplemental Project.

Completion of the Supplemental Project shall be evidenced by an Officer’s Certificate to

the Authority and the Trustee to the effect that the Supplemental Project, as described herein, has been completed and stating the date of completion.

Notwithstanding anything to the contrary herein, the Authority shall not be required to approve the requisition of funds from the West Hudson Sale Proceeds Account unless and until the Borrower has obtained all governmental approvals, if any, necessary to complete and operate the Supplemental Project.

*Prevailing Wage Requirements.*

The Borrower acknowledges and agrees that the Prevailing Wage Provisions will apply to construction or rehabilitation of the Supplemental Project except to the extent Construction Contracts are entered into with respect to the Supplemental Project prior to August 23, 2004, the effective date thereof. The Borrower agrees to comply with the provisions of the Prevailing Wage Provisions to the extent applicable.

*Supplemental Project as a Qualified Project.*

The Supplemental Project qualifies as an authorized "project" as such term is defined in the Act. For all purposes of the Loan Agreement, the Supplemental Project is a Project thereunder.

***MISCELLANEOUS***

*Severability.*

In case any provision of this Supplemental Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, this Supplemental Agreement shall be construed as if such provision had never been contained herein.

*Applicable Law.*

This Supplemental Agreement shall be deemed to be a contract made in the State of New Jersey and governed by the laws of the State of New Jersey.

*Counterparts.*

This Supplemental Agreement may be executed in several counterparts and when at least one counterpart has been fully executed by each party hereto, this Supplemental Agreement shall become binding on the parties hereto. All or any of such executed counterparts shall be regarded for all purposes as one original and shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the parties hereto have each caused this Supplemental Agreement to be executed under seal by their duly authorized officers as of the date first above written.

[SEAL]

ATTEST:

SAINT BARNABAS CORPORATIONS

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

[SEAL]

ATTEST:

NEW JERSEY HEALTH CARE  
FACILITIES FINANCING AUTHORITY

By: \_\_\_\_\_  
Dennis Hancock  
Assistant Secretary

By: \_\_\_\_\_  
Mark E. Hopkins  
Executive Director

**AB RESOLUTION NO. GG-19**

**RESOLUTION OF APPRECIATION**

***Carmen Saginario Jr.***

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***WHEREAS***, Carmen Saginario Jr. was appointed a Member of the New Jersey Health Care Facilities Financing Authority in June of 1998; and,

***WHEREAS***, throughout his tenure as a Member of the Authority, Carmen Saginario Jr. served in various elected positions, including that of Treasurer, Secretary, Assistant Treasurer, Assistant Secretary and Chairman of the Authority's Finance Committee; and,

***WHEREAS***, in those capacities, Carmen Saginario Jr. provided the Authority with guidance and expertise on health care finance, government procedure and law; and,

***WHEREAS***, Carmen Saginario Jr. also offered his time and leadership abilities by chairing several meetings in the absence of the Authority Chairman; and,

***WHEREAS***, Carmen Saginario Jr., as a member of the Authority, demonstrated initiative in carrying out the mission of the Authority, that 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***, Carmen Saginario Jr. will be remembered for his ability to bring enjoyment to his work through a blend of compassion, humor and poise; and,

***WHEREAS***, the Authority wishes to acknowledge Carmen Saginario Jr.'s dedication to the Authority and the professionalism with which he carried out Authority business;

***NOW, THEREFORE, BE IT RESOLVED***, that the New Jersey Health Care Facilities Financing Authority hereby expresses its sincere appreciation to Carmen Saginario Jr.; and,

***BE IT FURTHER RESOLVED***, that a copy of this Resolution of Appreciation be given to Carmen Saginario Jr. as a tribute from the Authority for his service and accomplishments with the Authority.