

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on October 27, 2005 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., J.D., 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, Jim Van Wart, Stephen Fillebrown, Bill McLaughlin, Michael Ittleson, Suzanne Walton, Marji McAvoy, Bob Day, Susan Tonry, Ron Marmelstein, Carole Conover, and Stephanie Zschunke.

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

Edward Tetelman, Department of Health and Senior Services; Sam Stanton, Authorities Unit Office of the Governor; and, Clifford T. Rones, Deputy Attorney General.

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

Jim Nolan, AtlantiCare Regional Medical Center; Meredith Colagiovanni, Christ Hospital; Kevin Stagg, Hank Schuurman, Christian Health Care Center; Rich Smith, JFK Medical Center; Gary Walsh, Windels Marx Lane & Mittendorf, LLP; Mark Lavelle, Alexander Zbinden, Wachovia Securities; William Mayer, Esq., DeCotiis, FitzPatrick, Cole & Wisler; Howard Eichenbaum, Gluck Walrath; Chris LaMarca, PNC Capital Markets; Scott Kobler, McCarter & English, LLP; Liza Wolf, Cozen O'Connor; and, David Weprin, Sterne, Agee & Leach, Inc.

CALL TO ORDER

Dr. Jacobs called the meeting to order at 10:05 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.

APPROVAL OF MINUTES

September 22, 2005 Authority Meeting

The minutes for the Authority's September 22, 2005 meeting were distributed for review and approval. Mr. Escher offered a motion to approve the minutes; Ms. Phillips seconded. Dr. Jacobs voted yes, Mr. Escher voted yes, Ms. Phillips voted yes, and Ms. Kralik voted yes. The motion carried and the minutes were approved.

BOND SALE REPORT

Children's Specialized Hospital

Dennis Hancock reminded the Members that The Children's Specialized Hospital financing was approved at the September meeting and Acting Governor Richard Codey separately approved the Authority's minutes related to the sale. The variable rate portion will be initially marketed on October 31st, the day before the closing. On October 12th the fixed rate portion of the bond issue was introduced to the market and carried a rating of "BBB-" from Fitch and "Baa3" from Moody's. The underwriter and hospital representatives spent a considerable amount of time speaking with institutional investors leading up to the pricing to explain the history of the hospital, the services to be provided in the new facility, and the relationship with RWJ University Hospital.

Mr. Hancock reported that, typically, the Authority uses other issues in the market to estimate where the interest rates for Authority bonds should fall. However, there are very few "BBB" level hospital transactions marketed during the year. After taking into consideration the various factors surrounding the issue, the underwriters suggested a scale with yields ranging from 3.9% in 2008 to 5.37% (5.25% based on a call date) in 2036. By comparing the spreads of these yields against the Municipal Market Data yields for AAA general obligation bonds and looking at the spreads for other similarly rated issues completed earlier in the year, Children's Specialized Hospital and Authority staff felt comfortable that the rates were reasonable. At the same time, the working group was optimistic that, since the project involved a children's hospital with significant foundation support, it would attract a broad range of institutional support.

According to Mr. Hancock, those hopes were realized and numerous institutions placed orders for bonds, many placing orders for the entire amount of single maturities. As a result, the underwriters offered to lower the yields on most of the maturities, and after some prodding by the Hospital representatives and Authority staff, the offer got to a level that was acceptable to all the parties. The final yields ranged from 3.88% in 2008 to 5.32% (5.15% based on the call date) in 2036. The Net Interest Cost for this fixed rate portion of the issue was 5.33%. This final offer, when compared to the Municipal Market Data spreads looked more like a BBB rating than the BBB-.

INFORMATIONAL PRESENTATION

COMP VI

Suzanne Walton reported that, since 1998, the Authority has issued five installments of its Variable Rate Composite Program ("COMP" program), which is a variable rate pooled financing program aimed at minimizing the issuance costs associated with smaller borrowings. To date, twenty-five series of bonds for twenty-three different borrowers have been issued, ranging in size from \$800,000 to \$25 million. Following the success of the COMP Program over the last seven years, the Authority intends to proceed with a sixth COMP Program financing ("COMP VI").

Under the COMP Program, each borrower is required to secure credit enhancement and liquidity support, and the related reimbursement agreements will be negotiated directly between the

borrower and the credit and liquidity provider. The Official Statement will offer the bonds specifically on the strength of the credit enhancer. The bonds will initially be priced on a seven-day variable rate basis. Following the initial marketing, borrowers have the option to extend the interest rate period. The borrowers in the five previous COMP financings have all kept their bonds in the seven-day mode and interest rates for 2005 on those issues has averaged 2.45%.

Ms. Walton stated that PNC Capital Markets will serve as underwriter and remarketing agent for this issuance of bonds under the COMP Program, and Staff has been working with PNC Capital Markets to solicit interest and generate applications for COMP VI. Information mailings, phone contacts and personal meetings resulted in the receipt of memoranda of understanding from four potential borrowers with projects ranging in size from \$6 million to \$25 million and totaling approximately \$55 million. These borrowers are in the process of negotiating with various banks for the necessary credit and liquidity support.

Ms. Walton reported that the four potential borrowers include:

(1) AtlantiCare Regional Medical Center – Representing AtlantiCare Regional Medical Center at the meeting was Jim Nolan, Vice President of Finance. The proceeds of the issue, along with other funds, would be used to finance an expansion and renovation project at the Medical Center's City Division including the construction of a new 7-story addition and renovations to the existing hospital space. The new addition will house the relocation of the Emergency and Radiology Departments; an ICU/CCU unit with 26 beds; two med/surg nursing floors with approximately 40 beds per floor; two floors of shelled space, and a Heli-Pad with trauma stabilization rooms to be located on the roof. The size of the issue will be approximately \$25 million.

(2) Christ Hospital – Representing Christ Hospital at the meeting was Michael Ayres, Executive Vice President and Meredith Colagiovanni, Finance Manager. The proceeds of the issue would be used to finance renovation costs associated with the expansion of the existing cardiac catheterization and computer tomography space and to fund the acquisition of diagnostic and therapeutic equipment. The size of the bond issue will be approximately \$6 million.

(3) Christian Health Care Center – Representing Christian Health Care Center at the meeting was Kevin Stagg, Executive Vice President and Chief Financial Officer, and Hank Schuurman, Vice President of Facilities. The proceeds would be used to finance a portion of the construction of a two-story addition to the psychiatric facility. The first floor will provide outpatient psychiatric services, including an activity room, two group rooms, a dining area and administrative space. The second floor will expand their existing inpatient psychiatric services and will add 12 in-patient beds, a group and seclusion room, toilet and shower facilities, a nurses station and support space. In addition, proceeds would be used to finance renovation and construction projects at the long-term care facility, including construction of a great room and renovations to the nurses station and approximately 65 resident rooms. The bond issue would approximate \$6 million.

(4) The Community Hospital Group, Inc. d/b/a/ JFK Medical Center – Representing JFK Medical Center at the meeting was Rich Smith, Senior Vice President and Chief Financial

Officer. The proceeds would be used to finance and reimburse the Medical Center for the costs of building improvements and various items of equipment for hospital use, including, but not limited to, renovations to the Access Center, the Neuroscience Institute, the radiology department and a nursing unit, as well as major information technology equipment purchases, and furniture and equipment for use in various hospital departments. The bond issue would approximate \$18 million.

A contingent sale request for COMP VI will be made after the borrowers have received commitments for credit enhancement and the bond documents are substantially complete.

NEGOTIATED SALE REQUEST

Atlantic Health System

Mark Hopkins reported that Atlantic Health System signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to finance the "Morristown Heart Hospital and Expansion Project" which will be located on the Morristown Memorial Hospital campus. With costs of issuance and other costs, Atlantic Health System is seeking to finance a total of approximately \$120,000,000 through the Authority.

The Authority issued a total of \$222,545,000 in bonds for Atlantic Health System in three separate series in 1997, 2003 and 2004, approximately \$97,600,000, \$68,200,000 and \$24,975,000, respectively, (totaling \$190,775,000) remain outstanding as of September 30, 2005. These obligations are expected to remain outstanding. In 1997, the Authority also issued \$65,400,000 in bonds for Atlantic Health System, which have since been defeased.

Mr. Hopkins described Atlantic Health System as a not-for-profit organization with several subsidiary and affiliated organizations. Among the subsidiaries is AHS Hospital Corporation which has, among other entities, three divisions operating as hospitals: Morristown Memorial Hospital, Overlook Hospital and Mountainside Hospital. The project currently under consideration is at the organization's Morristown Memorial Hospital division, which is a full-service regional hospital with a complete range of medical specialties and services and 637 licensed beds.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, Atlantic Health System generated excess revenues over expenses of \$43,227,000 for the year ended 12/31/2004 and a deficit of revenues over expenses of \$419,000 for the year ended 12/31/2003. Unaudited information for the six months ended 6/30/05 show excess revenues over expenses of approximately \$9,526,000, continuing its recent history of positive results of operations.

Mr. Hopkins reported that Atlantic Health System asked that the Authority permit the use of a negotiated sale based on its expected use of variable rate debt and the large issue size. Since each of these reasons is considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale, staff recommended the consideration of the resolution, included in the meeting materials, approving the use of a negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer. Mr.

Escher offered a motion to approve the resolution and the transmittal of this resolution and its justification to the State Treasurer. Ms. Phillips seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. FF-22
(attached)

Mr. Hopkins then announced that Atlantic Health System had completed a competitive process in 2003 for its plan of financing and has identified Goldman Sachs as its senior manager and, if applicable, remarketing agent.

AMENDMENT OF PROJECT

St. Francis Medical Center

Jim Van Wart described St. Francis Medical Center as a New Jersey nonprofit corporation located in Trenton, with 240 licensed beds. St. Francis is an affiliate of Catholic Health East, a multi-hospital system that owns and operates hospitals and other health care facilities in eleven states, from Florida to Maine.

Mr. Van Wart reminded the Members that on June 20, 2003, the Authority issued \$3,100,000 of Revenue Bonds on behalf of St. Francis Medical Center to reimburse the hospital for costs of various capital improvements and equipment, reconfigure centralized registration and clinic areas, resurface the parking garage, and update the infrastructure and information technology. The proceeds also paid costs associated with the issuance of the bonds. The Bonds are backed by an Irrevocable Letter of Credit provided by Wachovia Bank, National Association. The Letter of Credit was issued pursuant to a Reimbursement Agreement dated June 20, 2003 between the Bank and the Institution. The outstanding principal balance as of June 30, 2005 is \$2,900,000.

According to Mr. Van Wart, St. Francis Medical Center would like to forego certain portions of the project that were to be financed by the bonds and to substitute in their place other projects. The proposed Amendments to the Loan Agreement (attached) and the Reimbursement Agreement (attached) as well as the Assignment document and a draft form of the Opinion of Bond Counsel (attached) were prepared by Jim Fearon, Esq. of Gluck Walrath serving as Bond Counsel in concert with Howard Eichenbaum, Esq. of Gluck Walrath serving as Tax Counsel, and Deputy Attorney General Clifford D. Rones. Mr. Van Wart then asked for the Members' consideration for approval of the project change. Mr. Escher offered a motion to approve the requested project amendment on behalf of St. Francis Medical Center. Ms. Phillips seconded.

Ed Tetelman asked, since the project that was approved in 2003 intended to improve the facility's clinics, with the project change, will the clinics still be improved? Gail Kosyla, representing St. Francis Medical Center, stated that the original project outlined moving the clinics to a new location, but the move turned out to be cost prohibitive with additional needs such as an air duct renovation that increased costs by over \$1 million. The new project opts to improve and renovate the clinics in their current location. With no further questions, the Members voted. The vote was unanimous and the motion carried.

AB RESOLUTION NO. FF-23

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves Amendment No. 1 to the Loan Agreement, which amends the definition of the project to include the substitutions as per requested by St. Francis Medical Center.

CHANGE IN AUCTION AGENT AND APPOINTMENT OF CO-BROKER-DEALER

Atlantic Health System

Bob Day reminded the Authority Members that on November 20, 2003, the Authority issued the Series 2003 Bonds and on June 29, 2004 the Authority issued the Series 2004 Bonds on behalf of AHS Hospital Corporation (AHS) in aggregate amounts of \$75,075,000 and 26,300,000 respectively. The purpose of the Series 2003 issue was to refund the Mountainside Hospital Series 1993 Bonds issued by the Authority and to reimburse AHS for capital equipment it purchased in 2003 and 2004. The purpose of the Series 2004 issue was to advance refund the AHS Series 1997B Bonds issued by the Authority for AHS Hospital Corporation, and to pay certain costs of issuing the bonds.

Both issues were Periodic Auction Reset Securities (PARS) with an initial seven-day auction period. The Bank of New York is Auction Agent for both series. Both series of bonds are secured by Trust Agreements and funds and accounts established therein, and also by Financial Guaranty Insurance Policies issued through Ambac Assurance Corporation (AMBAC).

According to Mr. Day, AHS has requested approval from the Authority to replace The Bank of New York as Auction Agent with Deutsche Bank for both the Series 2003 and Series 2004 bonds. AHS is further requesting that Morgan Stanley & Co. Incorporated be approved as co-broker-dealer for the Series 2003 bonds.

The firm of Riker, Danzig, Scherer, Hyland & Perretti LLP as Bond Counsel prepared a form of resolution (attached) authorizing the above changes. The Attorney General's office reviewed the attached resolution and has no objection to the proposed changes. Ms. Phillips offered a motion to approve the resolution prepared by Bond Counsel, permitting the replacement of The Bank of New York as Auction Agent with Deutsche Bank for both the Series 2003 and Series 2004 bonds, and appointing Morgan Stanley & Co. Incorporated to serve as co-broker-dealer for the Series 2003 bonds. Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. FF-24

(attached)

DELEGATION OF AUTHORITY TO APPROVE TERMS

Mark Hopkins reported that, at the request of borrowers, the Authority has issued several series of bonds with interest rates that change based on auctions held after set periods (for example daily, weekly and monthly). As market conditions change, it can be beneficial to the borrower to request a change from one auction period to another. While the bond documents usually provide that the auction period can be changed with the approval of the Authority, the Attorney General

has opined that action by the board is necessary when the term “approval of the Authority” is used. In the case of an auction period change request, a delay in the approval can have a substantial impact on the interest cost incurred by the borrower.

In order to facilitate the timely approval of a request for change in the length of the auction period, as permitted by the documents, staff is requesting that authority be delegated to an authorized officer of the Authority to, upon the request of a borrower, approve changes to the auction period and deliver such other documents as may be necessary to effectuate the change.

Mr. Hopkins stated that the firm of Riker, Danzig, Scherer, Hyland & Perretti LLP prepared a resolution providing for such delegation, which was included in the board packet along with an explanatory memo from Bob Day. The Attorney General's office reviewed the proposed resolution and has no objection to the Members' consideration of this matter. As such, staff recommended approval of the proposed resolution.

Mr. Escher offered a motion to approve the delegation of an authorized officer of the Authority to have the ability, upon the request of a borrower, to approve changes to the auction period and deliver such other documents as may be necessary to effectuate the change; Ms. Phillips seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. FF-25

(attached)

REPORT OF THE FINANCE COMMITTEE and EVALUATION COMMITTEE

As Chairperson of the Authority's Finance Committee and Evaluation Committee, Mr. Escher gave both of the committees' reports. Beginning with the Finance Committee, Mr. Escher informed the Members that the Authority's Finance Committee held a regularly scheduled meeting on October 11, 2005. At the meeting, the Finance Committee reviewed and discussed the Authority's proposed 2006 budget. While the Finance Committee commends staff for putting together a comprehensive budget, there are still some line items that it would like to review further before making any recommendations. The Finance Committee will reconvene for a follow-up meeting to re-address the items in question and will report back to the Authority after such a meeting and discussion has been held.

Mr. Escher then reported on the Evaluation Committee meeting also held on October 11th. The Evaluation Committee is charged with the task of ranking the proposals received from auditing firms responding to the Authority's solicitation of auditing services, and reporting that ranking to the Audit Committee, which then makes a final recommendation to the Authority Members. To offer some background information, in early August, the Evaluation Committee advertised and distributed a Request for Proposals (“RFP”) soliciting auditing services for the Authority. On August 25th, the Evaluation Committee held a mandatory bidders conference attended by the following five auditing firms:

- Deloitte & Touche

- Ernst & Young
- JH Cohn
- KPMG
- Watson Rice

Mr. Escher stated that, prior to the deadline for receipt of responses to the RFP, both Deloitte & Touche and KPMG informed the Authority in writing that they would not be submitting a proposal because of the timing of the audit and the Authority's requirement for indemnification. Ernst & Young was the only firm to submit a proposal, and the proposal satisfied all of the requirements stated in the RFP.

Mr. Escher reported that the Evaluation Committee reported to the Audit Committee that, because Ernst & Young was the only firm to respond to the RFP with a proposal, and because its proposal met the requirements of the RFP, Ernst & Young was thereby recognized as the top-ranking candidate to serve as the Authority's auditor. This information was issued in a written report to the Audit Committee members (attached). Mr. Escher then noted that the Evaluation Committee's duties were completed with the distribution of this report.

AUDIT COMMITTEE RECOMMENDATION FOR AN AUDITOR

As Chairperson of the Audit Committee, Mr. Tetelman reminded the Authority Members that the Audit Committee is tasked with reviewing the proposals submitted by firms vying to serve as the Authority's auditor and reviewing the Evaluation Committee's report to ultimately make a recommendation to the full Authority Membership. Each Member of the Authority's Audit Committee had been hand-delivered a copy of the Evaluation Committee's ranking report on October 21st. The Audit Committee then met via conference call on October 26th to finalize its recommendation. At that meeting, Committee Members were given the opportunity to ask questions, to which staff responded.

After the Audit Committee's review, and in accordance with the Evaluation Committee's recommendation, the Audit Committee recommends to the Authority Members that Ernst & Young be hired for a three-year contract as the Authority's Auditor, with the possibility for two additional one-year extensions. Ms. Phillips offered a motion to hire Ernst & Young as suggested; Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. FF-26

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby appoints Ernst & Young, LLP to provide auditing services to the Authority for a contract period of three years, commencing with the 2005 audit through the 2007 audit; and, that the Authority reserve the right to extend the terms of the contract for two additional one-year audit periods (2008 and 2009).

MODIFICATION TO THE AUTHORITY'S QUALIFIED BANKERS LIST

Mr. Hopkins stated that, as documented in the Authority's policy, qualifications to serve the Authority as senior managing underwriter, placement agent, co-manager, financial advisor or

remarketing agent will be evaluated on an ongoing basis as statements of qualifications are submitted. Pursuant to this policy, Authority staff met with representatives of Sterne, Agee & Leach, Inc. ("Sterne") after which the Authority received a statement of qualifications from Sterne requesting that the Authority consider it for qualification as a senior managing underwriter, placement agent, co-manager, financial advisor and remarketing agent on Authority financings.

Mr. Hopkins described Sterne as a privately held firm, founded in Alabama in 1901, with 29 branch offices in eleven states including New York. Since December 2003, Sterne has served as a Negotiated Co-Manager on 28 financings in the northeast totaling over \$10 billion. In the last year, Sterne served as co-manager for five separate New Jersey financings totaling over \$3 billion. As of June 30, 2005 Sterne had total capital of nearly \$27 million and equity capital of \$27 million. Sterne's capital base permits an underwriting capacity in excess of \$275 million. Excess capital stood at over \$9 million as of June 30, 2005.

Based on the evaluation of Sterne's statement of qualifications, in compliance with the Authority's request for qualifications originally distributed on March 15, 2004, Authority staff recommends including Sterne on the Authority's list of qualified placement agents, co-managers, financial advisors and remarketing agents.

Mr. Hopkins stated that, if approved, Sterne will be asked to certify on a quarterly basis that there has been no material change in its financial condition since it submitted its statement of qualifications to the Authority. As is the case with other firms on the Authority's approved list, Sterne will also be required to remain in compliance with Executive Order #134, and if it fails to do so, Sterne will automatically be ineligible to serve in any of the aforementioned capacities on Authority financings. Additionally, if qualified hereby, Sterne remains under an ongoing obligation to report to the Authority if it is no longer in compliance with Executive Order #134.

Mr. Escher then offered a motion to approve the qualification of Sterne, Agee & Leach, Inc. to serve as a placement agent, co-manager, financial advisor and remarketing agent on Authority financings. Ms. Phillips seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. FF-27

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the qualification of Sterne, Agee & Leach, Inc. to serve as a placement agent, co-manager, financial advisor and remarketing agent on Authority financings.

AUTHORITY EXPENSES

Dr. Jacobs referred to a summary of Authority expenses and invoices. 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-28

WHEREAS, the Authority has reviewed memoranda dated October 27, 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 \$730,026.67, \$69,795.94 and \$100,554.18 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

Dr. Jacobs referenced staff reports that were distributed for review, including the Project Development Summary, Interest Rate Trends Graph, Third Quarter Budget Report, Cash Flow Statement, and Legislative Advisory. Mr. Hopkins then presented his Executive Director's report, which included the following pieces of information:

1. The final Prevailing Wage Regulations were forwarded to the Office of Administrative Law last week and should be published in the New Jersey Register and become effective on November 21, 2005.
2. On Thursday, October 20th, Mr. Hopkins was one of the panelists at the New Jersey Institutional Investors Forum at the New Jersey Performing Arts Center in Newark. Other Authorities represented were the Educational Facilities Authority, the Economic Development Authority and its subsidiary – The Schools Construction Corporation, the Housing and Mortgage Finance Agency, the Sports and Exposition Authority, the Turnpike Authority, the Port Authority and the Garden State Preservation Trust. The Treasurer was the keynote speaker.
3. The Attorney General's Office approved the Authority's bond counsel pool for the next two years. The following firms were selected to serve as bond counsel for the Authority:
 - Cozen O'Connor
 - DeCotiis, FitzPatrick, Cole & Wisler
 - Gibbons, Del Deo, Dolan, Griffinger & Vecchione
 - Gluck Walrath
 - McManimon & Scotland
 - Obermayer Rebman Maxwell & Hippel
 - Riker, Danzig, Scherer, Hyland & Perretti
 - Wilentz Goldman & Spitzer
 - Windels Marx Lane & Mittendorf
 - Wolff & Samson (Mark noted that this firm is not currently eligible under E.O. 134 and it will not serve on Authority transactions until it is eligible, which is expected to be in about one year from now.)
4. The Attorney General's Office has also approved bond counsel to serve a two-year term for the Authority's Equipment Revenue Note Program. Hawkins Delafield & Wood will serve as primary bond counsel with Gibbons, Del Deo, Dolan, Griffinger & Vecchione serving as bond counsel should Hawkins Delafield & Wood be conflicted out or unable to

serve for any other reason. The selection of a dedicated bond counsel for the Equipment Revenue Note Program will lower costs of issuance and is expected to encourage borrowers to come to the Authority for tax-exempt financing of equipment needs. Mr. Hopkins noted that the Authority has already received two inquiries from borrowers regarding the program.

5. In accordance with Acting Governor Codey's Executive Order No. 41, Authority staff has completed its ethics training. Authority Members and the Executive Director are required to attend one of the two ethics and fiscal controls training classes which are scheduled for November 14th and November 21st from 9:00 a.m. to 1:00 p.m. at the State Museum auditorium.
6. Also, in accordance with Acting Governor Codey's Executive Order No. 41, specifically the mandate for the Inspector General to assess the internal and financial controls of the State's authorities, agencies, boards and commissions, the Inspector General has requested a number of Authority documents, including enabling legislation, by-laws, regulations, policies and procedures, organizational chart, minutes, audits, management letters and other financial and organizational information. The Authority staff is in the process of gathering these documents and expects to have the requested documentation delivered to the Inspector General on or before the November 2nd deadline.

Mr. Hopkins concluded his Executive Director's report by thanking Steve Fillebrown for preparing the presentation that he provided to the New Jersey Institutional Investors Forum.

ADJOURN

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 10:40 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 27, 2005.

Carole A. Conover
Assistant Secretary

AB RESOLUTION NO. FF-22

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

Atlantic Health System

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

WHEREAS, Atlantic Health System has requested that the Authority consider approving the pursuit of a negotiated sale; and,

WHEREAS, the Financing could be considered as large; and,

WHEREAS, Atlantic Health System is considering the issuance of variable rate bonds for all or a portion of the Financing; and,

WHEREAS, the Authority is desirous of being responsive to Atlantic Health System's request; and,

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

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

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

AB RESOLUTION NO. FF-24

A RESOLUTION AUTHORIZING (1) THE SELECTION OF A CO-BROKER-DEALER FOR THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, AHS HOSPITAL CORPORATION ISSUE, SERIES 2003; AND (2) THE REMOVAL AND REPLACEMENT OF THE AUCTION AGENT FOR THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, AHS HOSPITAL CORPORATION ISSUE, SERIES 2003 AND THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, AHS HOSPITAL CORPORATION ISSUE, SERIES 2004

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, AHS Hospital Corp. (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 Bonds, AHS Hospital Corporation Issue, Series 2003 (the “**Series 2003 Bonds**”) in the original aggregate principal amount of \$75,075,000, pursuant to the provisions of the Act to provide funds which, together with other funds, have been used by the Borrower to (i) refund the Authority’s Revenue Bonds, The Mountainside Hospital Issue, Series 1993, (ii) provide for the payment of certain capital equipment as set forth in the Borrower’s capital budgets for 2003 and 2004 at certain facilities of the Borrower, (iii) fund reasonably required reserves for the Series 2003 Bonds, if required, and (iv) pay certain costs incidental to the issuance and sale of the Series 2003 Bonds, including the bond insurance premium for the Series 2003 Bonds; and

WHEREAS, the Series 2003 Bonds were issued pursuant to a Trust Agreement dated as of November 1, 2003 (the “**Series 2003 Trust Agreement**”) between the Authority and Commerce Bank, National Association, as trustee (the “**Series 2003 Bond Trustee**”); and

WHEREAS, the Authority loaned the proceeds of the Series 2003 Bonds to the Borrower pursuant to a Loan Agreement dated as of November 1, 2003 between the Authority and the Borrower; and

WHEREAS, payments of principal, purchase price and redemption price of, and interest on the Series 2003 Bonds is insured by Ambac Assurance Corporation (the “**Bond Insurer**”); and

WHEREAS, the Authority has also previously issued its Revenue Bonds, AHS Hospital Corporation Issue, Series 2004 (the “**Series 2004 Bonds**”) in the original aggregate principal amount of \$26,300,000, pursuant to the provisions of the Act to provide funds which, together with other funds, have been used by the Borrower to (i) refund the Authority’s Revenue and Refunding Bonds, AHS Hospital Corporation Issue, Series 1997 B, (ii) fund reasonably required reserves for the Series 2004 Bonds, if required, and (iii) pay certain costs incidental to the issuance and sale of the Series 2004 Bonds, including the bond insurance premium for the Series 2004 Bonds; and

WHEREAS, the Series 2004 Bonds were issued pursuant to a Trust Agreement dated as of June 1, 2004 (the “**Series 2004 Trust Agreement**” and together with the Series 2003 Trust Agreement, the “**Trust Agreements**”) between the Authority and Commerce Bank, National Association, as trustee (the “**Series 2004 Bond Trustee**”); and

WHEREAS, the Authority loaned the proceeds of the Series 2004 Bonds to the Borrower pursuant to a Loan Agreement dated as of June 1, 2004 between the Authority and the Borrower; and

WHEREAS, payments of principal, purchase price and redemption price of, and interest on the Series 2004 Bonds is also insured by the Bond Insurer; and

WHEREAS, the Authority has previously appointed The Bank of New York (“Bank of New York”) as Auction Agent (as such term is defined in the Trust Agreements) for both the Series 2003 Bonds and the Series 2004 Bonds and Goldman, Sachs & Co. (“**Goldman Sachs**”) as the Broker-Dealer (as such term is defined in the Trust Agreements) for both the Series 2003 Bonds and the Series 2004 Bonds; and

WHEREAS, the Borrower desires to appoint for the Series 2003 Bonds a co-broker-dealer to perform the duties of a Broker-Dealer as more particularly described in the Series 2003 Trust Agreement;

WHEREAS, in accordance with the Series 2003 Trust Agreement, the Borrower has selected Morgan Stanley & Co. Incorporated (“**Morgan Stanley**”) to be a co-broker-dealer for the Series 2003 Bonds and to perform the functions required of a Broker-Dealer as set forth in the Trust Agreement;

WHEREAS, as Morgan Stanley (i) is permitted by law to perform the functions required of a Broker-Dealer, (ii) is a member of, or a direct participant in, the Securities Depository (as defined in the Series 2003 Trust Agreement) and (iii) will enter into a Broker-Dealer Agreement (as defined in the Series 2003 Trust Agreement), it satisfies the qualifications to be a Broker-Dealers set forth in the Series 2003 Trust Agreement;

WHEREAS, in order for the Borrower’s appointment of a co-Broker-Dealer to be valid, the Series 2003 Trust Agreement requires the Authority and Goldman, Sachs to consent to such appointment by the Borrower;

WHEREAS, Goldman, Sachs has delivered its written consent to the appointment of Morgan Stanley as a Broker-Dealer and such written consent is attached hereto as **Exhibit A**;

WHEREAS, the Borrower desires for Bank of New York to be removed as the Auction Agent for the Series 2003 Bonds and the Series 2004 Bonds, and the Borrower, in accordance with the Trust Agreements, has delivered notice of such request to the Authority pursuant to the letter attached hereto as **Exhibit B**;

WHEREAS, the Borrower has requested that Deutsche Bank (“**Deutsche Bank**”) be appointed as the Auction Agent for both the Series 2003 Bonds and the Series 2004 Bonds;

WHEREAS, as Deutsche Bank (i) is a bank or trust company organized under the laws of the United States having a combined capital stock, surplus and undivided profits of at least \$30,000,000 or a member of NASD having a capitalization of at least \$30,000,000, (ii) is authorized by law to perform all of the duties imposed upon it by the Trust Agreements and (iii) is a member of or a participant in, the Securities Depository, it is qualified to serve as an Auction Agent for both of the Series 2003 Bonds and the Series 2004 Bonds;

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

Section 1. Approval of Co-Broker-Dealer. The Chairman, Vice Chairman, Secretary, Treasurer, Assistant Treasurer, Executive Director or Deputy Executive Director of the Authority (each an “**Authorized Officer**”) is hereby authorized and directed to execute and deliver a certificate from the Authority granting the Authority’s consent to the selection of Morgan Stanley as a co-Broker-Dealer for the Series 2003 Bonds, in accordance with the terms of the Series 2003 Trust Agreement in the form attached hereto as **Exhibit C** with such changes to such form as may be approved by counsel to the Authority.

Section 2. Removal and Replacement of Auction Agent. The Bank of New York shall be removed as Auction Agent for the Series 2003 Bonds and the Series 2004 Bonds and the Trustee is hereby directed to appoint Deutsche Bank as the Auction Agent for the Series 2003 Bonds and the Series 2004 Bonds.

Section 3. 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 4. Prior Resolutions. All prior resolutions of the Authority or portions thereof inconsistent herewith are hereby replaced.

Section 5. 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 Acting Governor of the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Acting Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

See *EVALUATION COMMITTEE REPORT* on p. 8

**REPORT OF THE EVALUATION COMMITTEE OF THE
NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY**

TO: NJHCFFA Audit Committee

- *Fred M. Jacobs, M.D., J.D., Health and Senior Services (or designee Edward Tetelman)*
- *Donald Bryan, Banking and Insurance (or designee, Maryann Kralik)*
- *Patricia Leahey, New Jersey's Office of Management and Budget*

SUBJECT: Audit Firm Proposal Ranking

DATE: October 12, 2005

The Authority's Evaluation Committee met on October 11, 2005 to rank the proposals received from firms seeking to provide the Authority with auditing services.

BACKGROUND: The Evaluation Committee advertised and distributed a Request for Proposals ("RFP") soliciting auditing services for the Authority in early August 2005. On August 25th, the Evaluation Committee held a mandatory bidders conference attended by the following five auditing firms:

- Deloitte & Touche
- Ernst & Young
- JH Cohn
- KPMG
- Watson Rice

Prior to the deadline for receipt of responses to the RFP, both Deloitte & Touche and KPMG informed the Authority in writing that they would not be submitting a proposal because of the Authority's requirement for indemnification and the timing of the audit.

Ernst & Young was the only firm to respond, and their proposal satisfied all of the requirements stated in the RFP.

The Evaluation Committee is charged with the task of ranking the responses of auditing firms and reporting that ranking to the Audit Committee, which then makes a final recommendation to the Authority Members.

RECOMMENDATION: Because Ernst & Young was the only firm to respond to the Authority's RFP with a submitted proposal, and because its proposal met the requirements of the RFP, the Evaluation Committee hereby recognizes Ernst & Young as the top-ranking candidate to serve the Authority in an auditing capacity. A copy of Ernst & Young's proposal is enclosed.

Respectfully submitted,

Gustav Edward Escher, III,
Evaluation Committee Chair

AB RESOLUTION NO. FF-25

A RESOLUTION AUTHORIZING AN AUTHORIZED OFFICER OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY TO CONSENT TO A REQUESTED CONVERSION OF THE LENGTH OF ANY ESTABLISHED AUCTION PERIOD FOR AUCTION OF BONDS ISSUED BY THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

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, from time to time the Authority issues auction bonds (the “Auction Bond”) pursuant to various issuing documents (the “Issuing Documents”) and loans the proceeds thereof to various health care organizations (the “Borrowers”); and

WHEREAS, auctions are held at varying intervals to determine interest rates for the Auctions Bonds as specified in the related Issuing Documents (each an “Auction Period”); and

WHEREAS, from time to time Borrowers may desire to change the length of an Auctions Period, as may be permitted by the Issuing Documents; and

WHEREAS, the Issuing Documents may require that a Borrower obtain the consent of the Authority as a condition precedent to the effectiveness of a change in the length of an Auction Period; and

WHEREAS, the Authority desires to delegate to an Authorized Officer (as hereinafter defined) of the Authority the ability to consent to a change in the length of an Auction Period as such consent may be required by the related Issuing Documents.

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

Section 1. Consent to Conversion of Auction Period. The Authority hereby delegates to the Chairman, Vice Chairman, Secretary, Treasurer, Assistant Treasurer, Executive Director or Deputy Executive Director of the Authority (each an “Authorized Officer”) the authority to consent to a change in the length of an Auction Period if such request is required by the Issuing Documents related to the Auction Bonds and if so requested by a Borrower.

Upon such a request, an Authorized Officer is hereby authorized and directed to execute and deliver a certificate from the Authority in the form attached hereto as Exhibit A with such changes to such form as may be approved by counsel to the Authority (the "Form Consent") which Form Consent grants the Authority's consent to the change in the length of an Auction Period for Auction Bonds issued by the Authority.

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 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 Acting Governor of the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as Acting Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

EXHIBIT A

Form of Consent to Conversion of Auction Period

[TO BE PLACED ON LETTERHEAD OF THE NEW JERSEY
HEALTH CARE FACILITIES FINANCING AUTHORITY]

_____, 20__

[Trustee]

Re: New Jersey Health Care Facilities Financing
Authority's Revenue Bonds Series _____ (the "Bonds")

Ladies and Gentlemen:

The Bonds have been issued by the New Jersey Health Care Facilities Financing Authority (the "Authority") pursuant to that certain [Trust Agreement] dated as of _____ between the Authority and _____, as trustee (the "Issuing Document;" all capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Issuing Document). The proceeds of the Bonds have been loaned by the Authority to _____ (the "Borrower") pursuant to that certain Loan Agreement dated as of _____. Currently, the length of the Auction Period for the Bonds is a _____ Auction Period. The Borrower has requested and the Authority has agreed that the length of the Auction Period for the Bonds is to be changed to a _____ Auction Period.

In accordance with the terms of Section _____ of the Issuing Document, we hereby consent to the change of the length of the Auction Period for the Bonds to be a _____ Auction Period effective as of _____, 20__.

Very truly yours,

NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

By: _____