

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on August 29, 2006 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

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

Gus Escher, Public Member (chairing the meeting, as the Authority's Vice Chair); Edward Tetelman, Representative of the Commissioner of Health and Senior Services; Ann Kohler, Representative of the Commissioner of Human Services; and, Frank Cipriani, Representative 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 Ittleson, Suzanne Walton, Susan Tonry, Bill McLaughlin, Mae Jeffries-Grant, Bob Day, Lou George, and Stephanie Bilovsky.

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

Carmen Saginario, Jr., Capehart Scatchard; Jack Swire, Mark Stafford, Kari Fazio, Wachovia Bank; Robert Hood, East Orange General; Howard Eichenbaum, Gluck Walrath; John DiAngelo, Tom Baldosaro, South Jersey Hospital; Kay Fern, Evergreen Financial; Danielle Cheung, JPMorganChase; Hak Kim, AtlantiCare Regional Medical Center; Benjamin Noble, MHAC I LLC; John Kelly, Wilentz, Goldman & Spitzer; Bob Palermo, John Doll, Meridian Health System; Peter Capiella, Meridian Nursing and Rehabilitation; John Ehlinger, Obermayer Rebmann Maxwell & Hoppel, LLP; Scott Kobler, McCarter & English; Don Persinski, Chris Tucker, PNC Capital Markets; Greg Adams, Holy Name Hospital; Bob Osler, Virtua Health, Inc.; Lisa Thornton, Governor's Authorities Unit; Thomas Papa, Treasury; and, Clifford T. Roncs, Deputy Attorney General.

CALL TO ORDER

In the absence of the Authority's Chairman Commissioner Fred M. Jacobs, Vice Chairman Gus Escher called the meeting to order at 10:05 a.m. and announced that this was a regular meeting of the Authority. 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

July 27, 2006 Authority Meeting

The minutes for the Authority's July 27, 2006 meeting were distributed for review and approval. Mr. Tetelman offered a motion to approve the minutes; Mr. Cipriani seconded. Mr. Escher voted yes, Mr. Tetelman voted yes, Ms. Kohler voted yes, and Mr. Cipriani voted yes. The motion carried and the minutes were approved.

FAREWELL TO CARMEN SAGINARIO, JR.

Carmen Saginario, Jr., who recently resigned from his position as an Authority Public Member, was presented with a framed Certificate of Appreciation, which displayed the Resolution of Appreciation that had been approved on his behalf at a prior Authority meeting. Mr. Escher read the certificate aloud. Mr. Saginario stated that in 1984 he was appointed to the Governor's Authorities Unit and visited the NJHCFFA. He was honored to be appointed by Governor Whitman years later to serve as a Public Member of the NJHCFFA, because, out of all the authorities with whom he had worked, this one was the most professional and effective. He noted that the staff does exemplary work, and that it was always a pleasure for him to be a part of the Authority.

Mr. Saginario stated that he looks forward to seeing the good work of the Authority continuing in the future. He thanked the staff and Membership for the recognition and exited the meeting at this point.

INFORMATIONAL PRESENTATION

Variable Rate Composite Program, Tranche VII

Suzanne Walton informed the Members that, subsequent to the mailing of the Board package, staff received an application from an affiliate of Holy Name Hospital to participate in the Authority's Variable Rate Composite Program ("COMP Program"). Staff has included this application for participation in the COMP, provided the borrower is able to meet all the necessary requirements in a timely fashion. The borrower understands that it will require a great deal of effort on their part to meet the current timeline for the contingent sale of bonds, and the COMP financing will not be delayed solely due to their late entry into the Program.

She then went on to say that the Authority intends to issue a seventh tranche of bonds under the COMP Program - a variable rate pooled financing program aimed at minimizing the issuance costs associated with smaller borrowings. Under the COMP Program, each borrower is required to secure credit enhancement and liquidity support, and the related reimbursement agreements are then 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 are initially 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 six previous COMP financings have all kept their bonds in the seven-day mode and interest rates for 2006 on those issues has averaged 3.3%.

PNC Capital Markets will serve as underwriter and remarketing agent for this issuance of bonds under the COMP Program. Information mailings, phone contacts and personal meetings resulted in the receipt of memoranda of understanding from five potential borrowers with projects ranging in size from \$5.2 million to \$35 million and totaling approximately \$85 million. These borrowers are in the process of negotiating with various banks for the necessary credit and liquidity support.

Ms. Walton then presented the five potential borrowers:

(1) **AtlantiCare Regional Medical Center** ("ARMC") – 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 medical/surgical

nursing floors with approximately 40 beds per floor; and two floors of shelled space and a Heli-Pad with trauma stabilization rooms will be located on the roof. The Members may recall that last year, ARMC issued bonds under the 2005 COMP Program to finance a portion of the project. This new issue will provide additional funding for the expansion/renovation project. The size of the issue will be \$25 million. Ms. Walton introduced Hak Kim, Corporate Director of Finance for ARMC.

(2) **East Orange General Hospital** – East Orange would like to use COMP proceeds to fund an upgrade and expansion of their Emergency Department, the relocation of the laboratory and a portion of the radiology department, the purchase of capital equipment and the refinancing of the Authority's 1990 Series B Bonds, the proceeds of which financed a construction/renovation project and refinanced existing debt. The size of the bond issue will be approximately \$13.5 million. Ms. Walton introduced Robert Hood, Chief Financial Officer at the hospital.

(3) **FitnessFirst, LLC** – The limited liability company, the sole member of which is Holy Name Hospital, was formed pursuant to the laws of the State of New Jersey. The LLC has elected to be treated as a partnership for federal income tax purposes, and, therefore, the LLC will enjoy the same tax status as its sole member, a 501(c)(3) organization. Proceeds of the bonds will be used to finance the fit out of a building currently owned by a related 501(c)(2) organization for the development of a medically based health and fitness center and possibly fund an "up front" lease payment by the LLC pursuant to the lease.

This structure raises a number of tax questions that, due to the late submission of the application, will require a more serious review by tax counsel prior to the sale of bonds. The anticipated size of the borrowing is \$6 million. Ms. Walton introduced Holy Name Hospital's Greg Adams, Senior Vice President and Chief Financial Officer.

(4) **MHAC I, LLC** – This limited liability company was formed to provide services benefiting Meridian Health System. Its sole member is Meridian Health System Assistance Corporation, a special purpose 501(c)(3) entity created by the System to facilitate financings and acquisitions of property by or for the benefit of the non-profit corporations comprising the System.

MHAC I, LLC has expressed interest in issuing approximately \$35 million of bonds through the COMP Program to finance the construction of a five-story, 970-space parking garage, related power plant and helipad. The parking garage will be located adjacent to the campus of Jersey Shore University Medical Center on land owned by Meridian Hospitals Corporation, which will be leased by MHAC I, LLC.

Meridian Hospitals Corporation, in an attempt to reduce the balance sheet impact of the construction of the garage, has created a structure utilizing MHAC I, LLC in order to account for the transaction as an operating lease. Ms. Walton introduced Benjamin Noble, Treasurer at Meridian Health Assistance Corporation and, from Meridian Health System, Bob Palermo, Vice President of Finance and John Doll, Director of Finance.

(5) **Meridian Nursing and Rehabilitation, Inc.** - Meridian Nursing and Rehabilitation includes two active nursing homes (located in Red Bank and Brick), two nursing homes under construction (one in Wall Township, and the second in Shrewsbury) and 10 acres of land in Holmdel.

Meridian Nursing and Rehabilitation, a 501 (c)(3) subsidiary of Meridian Health System, together with Meridian Hospitals Corporation, comprises the Meridian Health System Obligated Group.

In 2003, the Meridian Health System Obligated Group issued \$100 million in bonds to finance capital renovations at Meridian's hospital facilities. After the bonds were issued, the

project was amended to allow approximately \$13 million of proceeds to be used to fund the construction of a skilled nursing facility in Wall Township. Due to various construction delays and increases in fuel and supply costs, the original cost of the project increased from \$13 million to just over \$16 million.

Meridian Nursing and Rehabilitation, Inc. has applied for financing through the COMP program in order to fund the completion of the construction of the skilled nursing facility in Wall Township. In addition, proceeds would reimburse the borrower for project costs and fund working capital. The size of the issue will be approximately \$5.2 million. Ms. Walton introduced Meridian Nursing and Rehabilitation's Peter Cappiello, Vice President of Development.

Ms. Walton reminded the Members that, in accordance with Authority policy, projections for construction and/or renovation projects that are greater than \$25 million must be presented to the Authority prior to the contingent sale. Since the financing for MHAC I, LLC meets this criterion, Steve Fillebrown reviewed the projections submitted for this transaction. He stated that one must review the financial data for Meridian rather than MHAC I, LLC because the Meridian Health System Obligated Group will be the source of the lease payments; the payments will essentially pass-through from MHAC I, LLC to the obligated group.

The projections for the forecast period (year 2006 to 2011) show:

- Operating margins ranging from 1.6% to 3.6%,
- Profit margins ranging from 3.2% to 5.3%,
- Cash on hand ranges from 136 days to 163 days,
- Payables below 50 days,
- Receivables under 40 days, and
- Debt Service Coverage Reserve ranges from 2.26 to 3.35.

Mr. Fillebrown stated that, in short, the projections predict solid financial performance, with a slight drop in 2008 and 2009 as the projects come on line. Financial indicators then trend upward in 2010 to 2011.

A crucial part of reviewing projections is reviewing the key assumptions. In terms of volume, the projections assume that inpatient admissions for the Ocean and Riverview divisions will increase by less than 1% a year until 2010, then jump to 2.5% for Ocean and 1.5% for Riverview. For Jersey Shore Medical Center ("JSMC"), volume is projected at 2.6% in 2007 and then 4.2% for the rest of the projection. There is a slight decrease in the average length of stay predicted at JSMC; average length of stay remains flat at Brick and Riverview. Also, there are modest increases (1-2%) in most outpatient areas for Ocean and Riverview while a 7% increase is projected for JSMC's outpatient areas.

In terms of expenses, most items are assumed to increase by 4% per year, except for the 2007 pension (which increased by 6.7%) and utilities (which increased by 5% per year). Total salaries are expected to rise by more than 4% due to addition of 275 full-time employees over the projection period. Total supplies and other expenses also increase by more than 4% per year, and this is related to volume increases. Fringe benefits estimated flatly at 23.2% of salaries.

In terms of revenue, the net patient service revenue figure rises by 5.4-8.0% throughout the forecast period – partly due to an assumed 4% economic factor for inpatient admissions and 3% for outpatient admissions. The increase is also due to increased volume and case mix. No change in payer mix is predicted.

Mr. Fillebrown noted that these reflect generally conservative assumptions. The volume growth assumption at JSMC is higher than typical but is matched with higher than normal increases in salaries, supplies and other expenses.

Mr. Tetelman asked if the Meridian nursing homes to be financed would be new facilities. Mr. Cappiello replied that the facility in Wall is currently being constructed and is expected to be finished in late October; the Shrewsbury home is also a new facility and will be the relocation site for the existing Red Bank facility. The Red Bank facility is currently under contract for sale.

Mr. Tetelman asked about the status of the new facilities' certificates of need ("CNs"). Mr. Cappiello stated that the necessary CNs are in place. This presentation was for informational purposes only; no action was required.

NEGOTIATED SALE REQUEST

South Jersey Hospital

Mark Hopkins began by introducing John DiAngelo, Senior Vice President of Finance and Chief Financial Officer, and Tom Baldosaro, Vice President of Finance from South Jersey Hospital ("SJH"). Mr. Hopkins then stated that SJH signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to advance refund bonds issued in 2002 by the Authority in the original principal amount of \$171,580,000. The proceeds of the 2002 Bonds were used to construct a regional medical center for SJH in Vineland. With costs of issuance and other costs, SJH is seeking to finance a total of approximately \$165,000,000 through the Authority. Two series of bonds may be issued, one at a fixed rate and one at a variable rate.

Mr. Hopkins described SJH, Inc. as a tax-exempt health care organization, consisting of two acute care hospitals: Regional Medical Center division in Vineland, and the Elmer division in Elmer, New Jersey. SJH also operates Cumberland County's Bridgeton Health Center, which provides inpatient and outpatient psychiatric services, a satellite emergency department and administrative services. SJH is also the parent corporation of the South Jersey Health System Foundation, a tax-exempt organization. South Jersey Health System, Inc., functions as the parent corporation for South Jersey and other affiliated organizations.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, SJH generated excess revenues over expenses of approximately \$5.05 million in 2005 and \$9.42 million in 2004. Unaudited information for the first half of 2006 shows excess revenues over expenses of approximately \$3.5 million.

SJH has asked that the Authority permit the use of a negotiated sale based on: (i) large issue size; (ii) sale of a complex financing structure including the sale of more than one series of bonds, each structured differently; (iii) volatile market conditions; and (iv) the expected use of variable rate debt. Since these reasons are considered under the Authority's policy to be a justification for the use of a negotiated sale, staff recommended the consideration of a resolution approving the use of a negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins added that, after performing a competitive process, SJH selected Wachovia Securities as Senior Managing Underwriter for the bonds. Additionally, SJH researched several law firms from the Authority's qualified list and has requested that Gluck Walrath be selected to serve as bond counsel. SJH's request has been forwarded to the Attorney General's Office for approval.

Mr. Tetelman asked if the community's response to the Bridgeton facility move had improved, noting that the community initially voiced displeasure at the relocation of the medical services to the new Regional Medical Center location. Mr. DiAngelo replied that the Bridgeton facility has been doing well, having expanded its intermediate care, adding twelve adolescent

psychiatric beds, an inpatient hospice and an expanded outpatient radiology center. He noted that 400 medical center employees remain at the Bridgeton facility.

Mr. DiAngelo went on to say that there is likely still some discontent within the community. While the local residents are still “not thrilled” with the move, though, it seems the community does understand the advantages that are provided through the existence of the Regional Medical Center, and that the community realizes that there is a need for the current facility layout. While there was initially concern over increased travel time to the new Regional Medical Center, in fact, the move only added approximately ten minutes for travelers going the speed limit. He noted that SJH works with the Emergency Medical Services to optimize travel times, as well.

Mr. Tetelman offered a motion to approve the pursuit of a negotiated sale on behalf of SJH, and approve the forwarding of a copy of the justification in support of that resolution to the State Treasurer; Ms. Kohler seconded. The vote was unanimous, and the motion carried.

AB RESOLUTION NO. GG-21
(attached)

AUTHORIZATION FOR IDENTIFICATION OF A SWAP AGREEMENT

South Jersey Hospital

Mr. Hopkins stated that South Jersey Hospital, Inc. (“SJH”) has requested that the Authority identify, for tax purposes, an interest rate swap agreement on a forward basis to hedge against any variability in interest rates that may occur prior to the authorization of a contingent bond sale. It should be noted that SJH will be responsible for any costs incurred as a result of this agreement.

The resolution before the Authority authorizes designated officers of the Authority to be able to “identify” a swap agreement on the books and records of the Authority.

In the event that SJH desires to enter into such an arrangement, the swap will allow SJH to pay a fixed rate of interest to the swap provider and receive a variable rate of interest based upon an index. The arrangement may be entered into before the issuance of the bonds, with an effective date for the swap as of the issuance of the bonds.

The concept of identification of a swap is set forth in regulations under the federal income tax laws (more specifically Treas. Reg. 1.148-4(h)) and requires the actual issuer (i.e. the Authority) of the bonds (even in the instance where a swap agreement is entered into by the conduit entity, such as SJH) to describe the swap arrangement in sufficient detail and to indicate in the books and records of the actual issuer that such swap arrangement is related to a particular issue of bonds. The regulations also require that the identification occur within three days of the execution of the swap arrangement, not the effective date. As a result of identification, SJH and the Authority will be able to use the fixed rate payable on the swap arrangement as the yield on the bonds for federal income tax purposes rather the variable rate that is actually payable on the bonds.

Mr. Hopkins stated that, since the swap arrangement may be entered into prior to the issuance of the bonds, the Authority will need to identify the swap arrangement before the Authority is asked to approve a contingent sale. The proposed resolution provides that an authorized officer of the Authority execute whatever documents are needed to identify the swap arrangement for federal income tax purposes. The resolution explicitly provides that the Authority is not bound to approve a contingent sale.

The resolution presented here only grants authorization to identify a swap so that the three-day window requirement can be met. The Members are not being asked to approve the swap with this resolution, just the permission to identify one.

Mr. Escher asked if, once the hospital has selected a swap provider, the Authority then approves that firm. Mr. Hancock stated that the Authority does not approve the swap provider, but rather recognizes that the hospital has entered into a swap arrangement and many of the specifics of the arrangement are identified, which satisfies the IRS requirements. Bond counsel then documents the Authority's identification. The identification results in the borrower being able to use the fixed interest rate of the swap in the calculation of the permitted arbitrage rate.

Mr. Tetelman asked about the potential downfalls for entering a swap arrangement, to which Mr. Hancock explained that, when a borrower completes a swap after issuing variable rate bonds, the borrower pays a fixed rate to the counter party and receives a variable rate, which, it is hoped, closely matches the variable rate it is paying on the bonds. If the two variable rates, which may vary based on different indices, move in tandem, then the risk to the borrower is low. The difficulties occur when the variable rates move in different directions or at different speeds. Mr. Tetelman asked, if the rates do split, can a borrower exit a swap agreement, to which Mr. Hancock replied that exiting a swap is not always easy as there may be penalties written into the agreement, however, a borrower can exit a swap if it is no longer beneficial.

Mr. Tetelman offered a motion to authorize the identification of a swap agreement for SJH's anticipated 2006 variable rate bonds; Mr. Cipriani seconded. The vote was unanimous, and the motion carried.

AB RESOLUTION NO. GG-22

(attached)

AMENDMENT OF PROJECT

Virtua Health System

Bob Day began by introducing Bob Osler, Treasury Director at Virtua Health, ("Virtua"). Mr. Day then reminded the Members that on December 3, 2004, the Authority issued its Series 2004 bonds on behalf of Virtua Health Inc. in the amount of \$60,000,000. The purpose of the issue was to refinance a Capital Asset Loan from the Authority and to finance construction and renovation projects at West Jersey Hospital's Berlin, Voorhees, and Marlton campuses. It also financed equipment at various locations. The bonds are backed by Wachovia Bank, National Association, via an Irrevocable Letter of Credit that was issued pursuant to a Reimbursement Agreement dated December 1, 2004. The outstanding principal balance as of June 30, 2006 is \$60,000,000.

Mr. Day reported that Virtua has requested an amendment to the definition of the project relating to those Series 2004 bonds, thereby eliminating certain items while adding others. Gluck Walrath LLP, as Bond Counsel, provided the Opinion, required pursuant to the loan documents, that: 1) the amendment will not adversely affect the tax exempt status of the bonds, and 2) the authorizing Resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of the Resolutions. Gluck Walrath prepared a form of the Amendment to the Loan Agreement, and a form of Resolution that authorizes the execution and delivery of various documents relating to the proposed project amendment. Further, the Attorney General's office reviewed the Resolution and bond counsel Opinion with no objection to the Authority's consideration of this matter.

Mr. Escher asked what types of changes are being requested within the project, to which Mr. Osler replied that funds originally specified for a major equipment component and some construction and renovation will be redirected to renovation, primarily of the Marlton Emergency Department, with some proceeds also funding renovation at Berlin.

Mr. Tetelman offered a motion to approve the recommended Amendment of Project on behalf of Virtua Health, Inc., with respect to the Series 2004 bonds. Ms. Kohler seconded. Mr. Escher voted yes, Mr. Tetelman voted yes, and Ms. Kohler voted yes. Mr. Cipriani abstained, noting that his ex-wife was a high level employee at Virtua Hospital. Still, with a majority affirmative vote from the Members present, the motion carried.

AB RESOLUTION NO. GG-23

(See documents attached)

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts “RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF VARIOUS DOCUMENTS RELATING TO THE AMENDMENT TO THE PROJECT IN RESPECT OF THE AUTHORITY’S VARIABLE REVENUE BONDS, VIRTUA HEALTH ISSUE, SERIES 2004” and approves the “AMENDMENT NO. 1 TO LOAN AGREEMENT”; and,

BE IT FURTHER RESOLVED, that the Authority approves the execution of various documents contemplated in the Resolution and Amendment.

AUTHORITY EXPENSES

Mr. Escher referenced a summary of Authority expenses and invoices. Mr. Tetelman offered a motion to approve the bills and to authorize their payment; Ms. Kohler seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-24

WHEREAS, the Authority has reviewed memoranda dated August 29, 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 \$679,324.95, \$79,150.99 and \$6,037.49 respectively, and has found such expenses to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves all expenses as submitted and authorizes the execution of checks representing the payment thereof.

STAFF REPORTS

Mr. Escher 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 then turned the floor over to Mr. Hopkins to present his Executive Director’s Report.

Mr. Hopkins then announced the following items:

1. On August 11th, the IRS issued a letter indicating it had completed its examination of the Authority’s 2000 bonds issued on behalf of Trinitas Hospital and “decided to

- close the examination with no change to the position that interest received by bondholders is excludable from gross income under section 103 of the Internal Revenue Code.”
2. PBI Regional Medical Center continues to work through the Chapter 11 reorganization process. On August 23rd, PBI announced the layoff of 140 employees, equivalent to 112 full-time employees. It also announced that it gave notice to the Department of Health and Senior Services that it will suspend its obstetrical, pediatric and out-patient psychiatric services.
 3. The Authority staff has been working with a trustee and the attorney general’s office to create a trust for the liabilities created by the Authority’s post-retirement health care benefits program. Just prior to this meeting, staff received an email from the trustee stating that the comments from the attorney general’s office were accepted. Staff expects the trust agreement to be finalized shortly.
 4. The Authority staff is also looking into creating a trust for its Directors and Officers Liability Insurance. As of yet, insurance companies rejected the Authority’s inquiries regarding a \$500,000 or a \$1,000,000 deductible without the establishment of a self-insurance trust. Mr. Escher asked if other Authorities are looking into the trust concept, as well. Mr. Hopkins noted that he had not heard of any doing so; he and staff modeled the idea after recent self-insurance entities created by Authority borrowers.
 5. On July 27th, the Local Finance Board (“LFB”) approved the first Municipal Hospital Authority in Hoboken. The purpose of the authority will be to take ownership of St. Mary Hospital and to provide financing. At its September meeting, the LFB will consider the management contract proposed between the Hoboken authority and the non-profit management company that is expected to take over the operations of the hospital. In October, the LFB will hear the Hoboken authority’s proposal to issue bonds to finance the takeover of the hospital. The Hoboken authority expects to close on the hospital’s title by October 31st.
 6. To date, the Governor has not taken any action on Senate Bill 1189, which gives county improvement authorities the ability to finance economic development projects (which could be interpreted to include hospitals). Staff has voiced concerns to the Governor’s Counsel’s office and to the Senate Majority office and drafted a memo of the Authority’s concerns about the bill for Commissioner Fred M. Jacobs’ review. The memo was also provided to the Governor’s Counsel’s office.
 7. Warren Hospital has notified the Authority that Wachovia Securities, the senior managing underwriter that was selected at the time of the negotiated sale approval on March 24, 2005, has been unable to meet the hospital’s capital needs. Based on its original competitive process, Warren Hospital would like to instead use Cain Brothers as its senior managing underwriter. No Authority action is required at this time.
 8. The following news items may be of interest to Authority Members:
 - RWJ Nurses voted down the hospital’s contract proposal and began striking Thursday morning.
 - Englewood Hospital settled with its nurses on August 3rd after a month-long strike.
 - The purchase by Bayonne Hospital of St. Vincent’s Staten Island Hospital has been approved by the bankruptcy court. In another vein, Bayonne Hospital has given notice that it will terminate 120 employees. At the Authority’s July meeting, it was noted that the hospital terminated 30 senior and middle level

managers last month. Finally, the hospital announced that it will no longer handle maternity cases and will be referring those cases to St. Vincent's Staten Island Hospital.

Mr. Tetelman asked if there had been any word yet on approving St. Vincent's request to close its obstetrics unit. Mr. Hopkins stated that there was question over whether or not St. Vincent's needed approval to cease these services. Ms. Kohler responded that both New York and New Jersey are pursuing the matter.

9. The Authority's Assistant Account Administrator Andreea Milosovici resigned in early August to take a job at the NJ Division of Taxation. To take her place the Authority hired Neetu Thukral, who has an Associates degree in business management and has considerable work experience in general accounting and accounts payable. Ms. Thukral is expected to begin working at the Authority on September 11th.
10. The printing of the 2005 Annual Report was completed late last Friday. In keeping with the administration's concern for austerity, staff aimed to keep the printing costs down. Nevertheless, Stephanie Bilovsky exercised her creative muscles and did a superb job of presenting the Authority's accomplishments in a clever and stylish yet easy to read way. Congratulations, also to Ms. Bilovsky, the Authority's Communications Specialist, who celebrated her 5th anniversary at the Authority this month.
11. Steve Fillebrown received approval from the Governor's office to attend the National Council of Health Care Facilities Financing Authorities ("National Council") conference in Denver, Colorado from September 27th through the 29th. As Steve is a board member of National Council and the Authority benefits from National Council's activities, Mr. Hopkins announced that he is particularly grateful that the administration has made an exception for this out-of-state travel.

EXECUTIVE SESSION

As permitted by the Open Public Meetings Act and the Authority's By-Laws, the Members voted to meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General. Mr. Escher 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. Kohler seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. GG-25

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. Tetelman moved to adjourn the meeting, Ms. Kohler seconded. The vote was unanimous, and the motion carried at 11:45 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 AUGUST 29, 2006.

Dennis Hancock
Assistant Secretary

AB RESOLUTION NO. GG-21

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

South Jersey Hospital

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

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

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

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

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

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

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

WHEREAS, South Jersey Hospital has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

WHEREAS, South Jersey Hospital has requested that the Authority consider approving the pursuit of a negotiated sale; and,

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

WHEREAS, market conditions could be considered volatile; and,

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

WHEREAS, South Jersey Hospital 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 South Jersey Hospital's request; and,

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

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

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

AB RESOLUTION NO. GG-22

**A RESOLUTION AUTHORIZING THE
IDENTIFICATION OF A SWAP AGREEMENT TO
BE ENTERED INTO BY
SOUTH JERSEY HEALTH SYSTEM
TO FIX THE INTEREST RATE TO BE BORNE ON
VARIABLE RATE BONDS ANTICIPATED TO BE
ISSUED IN 2006**

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, c29, 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, South Jersey Health System (“**SJHS**”) is a nonprofit corporation organized under the laws of the State and a health care organization; and

WHEREAS, pursuant to the provisions of the Act, SJHS is requesting that the Authority issue securities bearing a variable rate of interest on behalf of SJHS during 2006 or at such later time that is agreeable to the Authority and SJHS (the “**SJHS Variable Bonds**”); and

WHEREAS, to hedge the variability in interest rate cost of the SJHS Variable Bonds, SJHS desires to enter into an interest rate swap agreement on a forward basis (the “**Swap Agreement**”); and

WHEREAS, Treas. Reg. 1.148-4(h)(2) and Treas. Reg. 1.148-4(h)(5) (together, the “**Treasury Regulations**”) requires the issuer of bonds to identify on its books and records an interest rate swap agreement as being applicable to a certain series of bonds issued by it; and

WHEREAS, the Authority desires to authorize the identification of the Swap Agreement as being applicable to the SJHS Variable Bonds;

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

Section 1. Identification of the Swap Agreement. In accordance with the Treasury Regulations, the Authority hereby authorizes the Chairman, Vice Chairman, Secretary, Treasurer, Assistant Treasurer, Executive Director or Deputy Executive Director of the Authority to identify on the books and records of the Authority the Swap Agreement as being applicable to the SJHS Variable Bonds, and as such, for purposes of the Treasury Regulations, the SJHS Variable Bonds (in the event such bonds are issued) are identified as the “Hedged Bonds.” If entered into, the Swap Agreement will allow SJHS to pay a fixed rate of interest to the hedge

provider and receive a variable rate of interest based upon an index. Provided however, that notwithstanding the foregoing, neither the adoption of this Resolution nor the identification of the Swap Agreement on the books and records of the Authority in accordance with the foregoing shall obligate the Authority to issue the SJHS Variable Bonds or to approve the issuance of the SJHS Variable Bonds.

Section 2. Incidental Action. The Authorized Officers of the Authority are hereby authorized 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 the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF VARIOUS DOCUMENTS RELATING TO THE AMENDMENT TO THE PROJECT IN RESPECT OF THE AUTHORITY'S VARIABLE REVENUE BONDS, VIRTUA HEALTH ISSUE, SERIES 2004

Adopted: August 29, 2006

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 institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey; and

WHEREAS, on December 3, 2004, the Authority issued \$60,000,000 aggregate principal amount of its Variable Rate Revenue Bonds, Virtua Health Issue, Series 2004 (the "Bonds") pursuant to a Trust Indenture, dated as of December 1, 2004 (the "Trust Indenture"), between the Authority and The Bank of New York, as trustee (the "Trustee"), which Trust Indenture was authorized by a resolution adopted by the Authority on October 28, 2004; and

WHEREAS, the Authority loaned the proceeds of the Bonds to Virtua Health, Inc. (the "Institution") pursuant to a Loan Agreement, dated as of December 1, 2004 (the "Original Loan Agreement"), between the Authority and the Institution, for the purpose of financing the various health care projects to be located at the Institution in Voorhees, Marlton, Berlin and Mt. Holly, New Jersey (collectively, the "Project"); and

WHEREAS, inasmuch as a portion of the Project was to be owned or used from time to time by Virtua West Jersey Health System, Inc. ("Virtua-West-Jersey") and/or Virtua-Memorial Hospital of Burlington County, Inc. ("Virtua-Memorial" and collectively, with Virtua-West Jersey, the "Affiliates"), affiliates of the Institution, the Authority required that Virtua-West Jersey and Virtua-Memorial each execute and deliver a Letter of Representations and Agreements (collectively, the "Original Letters of Representations") by which Virtua-West Jersey and Virtua-Memorial made certain representations and agreements in connection with Virtua-West Jersey and Virtua-Memorial and the portion of the Original Project to be owned and/or used by Virtua-West Jersey and Virtua-Memorial.

WHEREAS, the Bonds are secured by a Letter of Credit issued by Wachovia Bank, National Association (the "Bank"), dated December 3, 2004; and

WHEREAS, the Original Loan Agreement was thereupon assigned, pursuant to an Assignment dated as of December 1, 2004 (the "Original Loan Agreement Assignment"), from the Authority to the Trustee; and

WHEREAS, the Institution has subsequently determined to eliminate certain items and add other items to the scope of the Project; and

WHEREAS, to implement such changes the Institution and the Affiliates must, *inter alia*, amend certain provisions of the Original Loan Agreement and the Original Letters of Representations; and

WHEREAS, pursuant to Section 3.2(a) of the Original Loan Agreement, the Institution has, by correspondence dated July 20, 2006 (a copy of which is attached hereto as Exhibit A), heretofore represented to the Authority that no certificate of need is necessary for the completion of these additional Project items, that no approval from the New Jersey Department of Community Affairs to any changes in the plans and specifications of the Project is required, and that no additional moneys (in excess of the moneys available in the Project Fund) are required for such amendments; and

WHEREAS, pursuant to Section 9.09 of the Trust Indenture, the Institution has heretofore obtained the written consent of the Bank (a copy of which is attached hereto as Exhibit B) to an amendment to the Original Loan Agreement to implement such change; and

WHEREAS, Virtua-West Jersey and Virtua-Memorial will each provide to the Authority and the Trustee an Amendment No. 1 to each of the Letter of Representations by which Virtua-West Jersey and Virtua-Memorial will ratify and confirm the representations and agreements made in the Original Letters of Representations with respect to the Project, as amended; and

WHEREAS, pursuant to Section 3.2(a) of the Original Loan Agreement and Section 9.06 of the Trust Indenture, in connection with the proposed amendment to the Original Loan Agreement, the Institution will provide for the delivery to the Authority and the Trustee of a legal opinion from GluckWalrath LLP, bond counsel to the Authority (the "Bond Counsel Opinion"), in substantially the form attached to this resolution as Exhibit C; and

WHEREAS, pursuant to paragraph (a)(2) of the Original Loan Agreement Assignment, the Authority has retained the exclusive right and duty to execute supplements and amendments to the Original Loan Agreement; and

WHEREAS, the Authority now desires to authorize the execution and delivery of such documents and the taking of such actions as may be necessary to accomplish the foregoing purposes;

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

Section 1. Amendment to Loan Agreement and Assignment Thereof. The Amendment No. 1 to Loan Agreement between the Authority and the Institution and consented to by the Trustee (the "Amendment to Loan Agreement") and the Assignment thereof from the Authority to the Trustee (the "Assignment of Loan Agreement Amendment"), in the forms attached to this resolution as Exhibit D, are hereby approved. Any Authorized Officer of the Authority is hereby authorized and directed to execute, acknowledge and deliver, and any other Authorized Officer of the Authority is hereby authorized and directed to affix and attest the seal

of the Authority to, the Amendment to Loan Agreement and the Assignment of Loan Agreement Amendment in substantially such forms, with such insertions and changes therein and any supplements thereto as counsel may advise and the Authorized Officer executing the same may approve, such approval to be evidenced by such Authorized Officer's execution thereof.

Section 2. Additional Actions. The Authorized Officers of the Authority are hereby authorized and directed to execute and deliver such other documents, certificates, directions and notices, and to take such other action as may be necessary or appropriate in connection with the foregoing matters.

Section 3. Prior Resolutions. All prior resolutions of the Authority or provisions thereof inconsistent herewith are hereby repealed.

Section 4. Effective Date. This resolution shall take effect upon the occurrence of both (i) 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 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, and (ii) receipt by the Authority of the Bond Counsel Opinion, in form and substance satisfactory to the Authority and the Office of the Attorney General of the State, required by Section 3.2 of the Original Loan Agreement.

_____, 2006

New Jersey Health Care Facilities Financing Authority
22 South Clinton Avenue
Trenton, New Jersey 08609

The Bank of New York, as Trustee
385 Rifle Camp Road
West Paterson, New Jersey 07424

Re: Amendment No. 1 to Loan Agreement, Relating to \$60,000,000
Aggregate Principal Amount of New Jersey Health Care Facilities
Financing Authority Variable Rate Revenue Bonds, Virtua Health Issue,
Series 2004 (the "Bonds")

Ladies and Gentlemen:

The above-referenced Bonds were issued by the New Jersey Health Care Facilities Financing Authority (the "Authority") on December 3, 2004 pursuant to the Trust Indenture, dated as of December 1, 2004 (the "Trust Indenture"), between the Authority and The Bank of New York, as trustee (the "Trustee"), which Trust Indenture was authorized by a resolution adopted by the Authority on October 28, 2004. The proceeds of the Bonds were loaned by the Authority to Virtua Health, Inc (the "Institution") pursuant to a Loan Agreement, dated as of December 1, 2004 (the "Original Loan Agreement"), between the Authority and the Institution. The Bonds are secured by a Letter of Credit issued by Wachovia Bank, National Association (the "Bank"), dated December 3, 2004 (the "Letter of Credit"), which was issued pursuant to a Reimbursement Agreement, dated December 3, 2004, between the Bank and the Institution. Inasmuch as a portion of the Project financed by the Bonds was to be owned or used from time to time by Virtua-Memorial Hospital Burlington County, Inc. ("Virtua-Memorial") and Virtua-West Jersey Health System, Inc. ("Virtua-West Jersey"), affiliates of the Institution, the Authority required that Virtua-Memorial and Virtua-West Jersey each execute and deliver a Letter of Representations and Agreements (each referred to as the "Original Letter of Representations") by which Virtua-Memorial and Virtua-West Jersey each made certain representations and agreements in connection with their use of the portion of the Project to be owned and/or used by each. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Indenture.

By letter dated July 20, 2006 (the "Institution Request"), the Institution notified the Authority, in accordance with Section 3.2(b)(i) of the Original Loan Agreement, that it wished to make certain changes to the Project that was to be financed by the Bonds. In order to implement such changes to the Project, the Authority and the Institution have entered into an Amendment No. 1 to Loan Agreement of even date herewith (the "Amendment to Loan Agreement"), which Amendment to Loan Agreement amends certain provisions of the Original Loan Agreement. The Amendment to Loan Agreement has been assigned by the Authority to the Trustee pursuant to an Assignment of even date herewith. In addition, Virtua-Memorial and Virtua-West Jersey have each entered into an Amendment No. 1 to its respective Letter of Representations and Agreements, of even date herewith (collectively, the "Letter of Representations Amendments"),

confirming and ratifying its Original Letter of Representations with respect to the Project, as amended.

By instrument dated July 20, 2006 (the "Bank Consent"), the Bank has consented to the execution and delivery of the Amendment to Loan Agreement, pursuant to Section 9.09 of the Indenture.

In our capacity as bond counsel to the Authority, we have examined the proceedings relating to the authorization, execution and delivery of the Amendment to Loan Agreement, including (a) a certified copy of the resolution, entitled "Resolution Authorizing the Execution and Delivery of Various Documents Relating to the Amendment To The Project In Respect Of the Authority's Variable Rate Revenue Bonds, Virtua Health Issue, Series 2004, adopted by the Authority on August 29, 2006, (b) an executed copy of the Amendment to Loan Agreement, (c) executed copies of the Amendments to the Letters of Representations, (d) executed copies the Institution Request and the Bank Consent, (e) such matters of law, including the Internal Revenue Code of 1986, as amended (the "Code"), and (f) such other opinions, agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the Amendment to Loan Agreement as we have deemed necessary. As to matters of fact, we have relied upon the representations and certifications of the Authority, the Institution, Virtua-Memorial, Virtua-West Jersey and the Trustee and, where we have deemed appropriate, upon representations or certifications of public officials. Further, in expressing such opinions, we have relied upon the genuineness, accuracy and completeness of the documents and other instruments that we have examined.

This opinion is being delivered to you in accordance with Section 3.2(a)(i)(B) of the Original Loan Agreement and Section 9.06 of the Trust Indenture.

Based upon the foregoing, it is our opinion that:

1. The Amendment to Loan Agreement is authorized by the Trust Indenture and by the Act.
2. The execution and delivery of the Amendment to Loan Agreement will not, in and of itself, adversely affect the exclusion of interest on the Bonds for Federal income tax purposes or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Indenture, the Original Loan Agreement, the Tax Certificates of the Authority the Institution, each dated December 3, 2004, relating to the Bonds, including (without limitation) covenants and agreements the compliance with which is necessary to assure that actions, omissions or events on and after the date of issuance of the Bonds have not caused and will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We have not undertaken to determine compliance with any of such covenants and agreements or any other requirements of law, and (except as expressly set forth above in connection with the execution and delivery of the Amendment to Loan Agreement) we have not otherwise reviewed any actions, omissions or events occurring after the date of issuance of the

Bonds or the exclusion of interest on the Bonds from gross income for federal income tax purposes. Accordingly, no opinion is expressed herein as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

This opinion is furnished by us as bond counsel to the Authority. No attorney-client relationship has existed or exists between our firm and the Trustee in connection with the Bonds or by virtue of this opinion, and we disclaim any obligation to update this opinion. This opinion is delivered to the addressees hereof pursuant to certain requirements of the Original Loan Agreement and the Trust Indenture, and may not to be relied upon by any other person, party, firm or organization other than the addressees hereof.

GLUCKWALRATH LLP

AMENDMENT NO. 1 TO LOAN AGREEMENT

THIS AMENDMENT NO. 1 TO LOAN AGREEMENT (the "First Amendment"), dated as of _____, 2006 (the "Effective Date"), by and 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 VIRTUA HEALTH, INC., a non-profit corporation duly created and validly existing under the laws of the State of New Jersey (together with its successors and permitted assigns, the "Institution"). Capitalized terms not otherwise defined shall have the meanings ascribed to them in the Loan Agreement (as defined below).

WITNESSETH

WHEREAS, the Authority financed the cost of the Project by the issuance of its Bonds pursuant to a Trust Indenture dated as of December 1, 2004 (the "Indenture") with The Bank of New York, as trustee (the "Trustee"); and

WHEREAS, in connection with the financing of the Project, the Institution entered into, among other things, a Loan Agreement with the Authority dated as of December 1, 2004 (the "Loan Agreement"), which sets forth the terms of the loan by the Authority to the Institution; and

WHEREAS, the Institution has notified the Authority that it wishes to amend the scope of the Project by adding certain additional items; and

WHEREAS, it is necessary to amend Exhibit A of the Loan Agreement in order to implement such additional portions of the Project; and

WHEREAS, the requirements of Section 3.2 of the Loan Agreement have been satisfied and the parties now desire to enter into this First Amendment; and

WHEREAS, the parties have determined that this First Amendment does not materially adversely affect the interests of the Holders of the Bonds;

NOW, THEREFORE, in pursuance of said agreement and consideration of the sum of One Dollar (\$1.00) and other valuable consideration, receipt of which is hereby acknowledged, the parties hereto mutually covenant and agree as follows:

Amendments to the Loan Agreement. Effective as of the Effective Date, the Loan Agreement shall be amended as follows:

The Loan Agreement is hereby amended by adding the information in "Exhibit A" attached to this First Amendment. Henceforth, all references in the Loan Agreement to Exhibit A shall refer to Exhibit A, as revised.

Whenever appearing in the Loan Agreement, the term "Loan Agreement" shall be deemed to mean the Loan Agreement as amended hereby.

- Waiver. The provisions of Section 3.2(a)(ii) of the Loan Agreement are hereby waived by the Authority with respect to this Amendment.

Except as otherwise provided herein, all of the provisions of the Loan Agreement are hereby confirmed and ratified and shall remain in full force and effect. parties hereto mutually covenant and agree as follows:

- Successors and Assigns. This First Amendment shall be binding upon and inure to the benefit of the Institution and the Authority and their respective successors and/or assigns.
- Governing Law. This First Amendment shall be governed by and construed according to the laws of the State of New Jersey.
- Counterparts. This First Amendment may be signed in any number of counterparts each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.
- Fees and Expenses. The Institution hereby agrees to pay all fees and expenses of the Authority and the Trustee incurred in connection with this First Amendment, including without limitation, reasonable legal fees and expenses.

IN WITNESS WHEREOF, each of the undersigned has executed this First Amendment, effective as of the Effective Date.

NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

By: _____
Name: Mark E. Hopkins
Title: Executive Director

VIRTUA HEALTH, INC.

By: _____
Name: Richard P. Miller
Title: President

CONSENTED TO:
THE BANK OF NEW YORK, as Trustee

By: _____
Name: Christopher Grell
Title: Vice President

VIRTUA MEMORIAL HOSPITAL
BURLINGTON COUNTY, INC.

By: _____
Name: Robert M. Segin
Title: Vice President and
Chief Financial Officer

VIRTUA WEST JERSEY HEALTH
SYSTEM, INC.

By: _____
Name: Robert M. Segin
Title: Vice President and
Chief Financial Officer

CONSENTED TO:

WACHOVIA BANK,
NATIONAL ASSOCIATION

By: _____
Name:
Title:

EXHIBIT A

2004 Bridge Plan Bond Fund Balance - Berlin and Marlton Amended Projects

Hospital	Project Description	Costs	Sub-Total Costs	Grand Total Costs
Berlin	Infrastructure Projects:			
	Emergency power distribution	\$ 175,000		
	HVAC - replace room units on PCU unit	\$ 100,000		
	Operating rooms - upgrade humidification system	\$ 50,000		
	Sub-total of Berlin Hospital Infrastructure Projects		\$ 325,000	

Marlton	Emergency Department Renovations		\$ 2,552,001	
	Infrastructure Projects:			
	HVAC replacements - lab, 3rd, 4th floors	\$ 380,000		
	Replace 33 year old switch gear	\$ 217,124		
	750 KW emergency generator	\$ 216,000		
	Elevator Upgrade Project	\$ 150,780		
	Replace fiberglass ducts throughout facility	\$ 125,000		
	Electrical work accompanying duct work	\$ 100,000		
	Replace emergency outlets - 2nd, 3rd, 4th floors	\$ 114,651		
	3 North patient room renovation	\$ 60,960		
	Cafeteria renovations	\$ 35,000		
	Ultrasound work space relocation	\$ 30,000		
	Fire alarm system upgrade	\$ 15,950		
	Replace loading dock doors	\$ 12,634		
	Endoscopy renovations	\$ 9,500		
		Sub-total of Marlton Infrastructure Projects		\$ 1,467,599
	Total for Marlton Emergency Department and Infrastructure Projects		\$ 4,019,600	

Grand Total of Berlin and Marlton Project Costs			\$ 4,344,600
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(1) Total includes the use of approximately of \$1,000,000 interest earnings thru 6/30/06; Additional interest is targeted to Marlton ED renovations project.

(1)

ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS that the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority") having its principal office at P.O. Box 366, Trenton, New Jersey 08625 does hereby sell, assign, transfer and set over to The Bank of New York as trustee (the "Trustee") under the Trust Indenture, dated as of December 1, 2004, between the Authority and the Trustee and relating to the Authority's Revenue Bonds (Variable Rate Composite Program - Virtua Health, Inc. Project) Series 2003 A-7, all the right, title and interest of the Authority in and to the Amendment No. 1 to Loan Agreement (the "First Amendment"), dated as of _____, 2006, between the Authority and Virtua Health, Inc. (the "Institution"), to the same extent as set forth in the Assignment dated as of December 1, 2004 heretofore made by the Authority to Trustee in respect of the Loan Agreement, dated as of December 1, 2004, between the Authority and the Institution.

IN WITNESS WHEREOF, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Assignment to be duly executed and attested by its duly authorized officers and this Assignment to be dated as of _____, 2006.

[SEAL]

NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

Attest:

By: _____
Name: Mark Hopkins
Title: Executive Director

Name: Dennis Hancock
Title: Assistant Secretary