

Minutes of the New Jersey Health Care Facilities Financing Authority Special Meeting held on November 2, 2007 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 as Vice Chairman); Moshe Cohen, Public Member (via telephone); Ulysses Lee, Public Member (via telephone); Eileen Stokley, Designee of the Commissioner of Human Services (via telephone).

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

Mark Hopkins, Dennis Hancock, Carole Conover, Suzanne Walton, and Stephanie Bilovsky.

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

Clifford T. Rones, Deputy Attorney General.

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

Mr. Escher called the meeting to order at 10:05 a.m. and announced that this was a special meeting of the Authority. In accordance with the provisions of the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was advertised in *The Star-Ledger* and the *Courier Post* forty-eight hours in advance of the meeting.

### ***CO-MANAGER APPOINTMENT***

#### ***Saint Peter's University Hospital***

Mark Hopkins quoted the Authority's policy stating, "The Authority reserves the right to select firm(s), from its qualified list, to serve as co-managing underwriter(s) for its financings. Co-manager(s) will be selected by the Authority, based on demonstrated ability to distribute New Jersey securities of comparable credit quality, sufficient capital to participate in underwriting the issue, and borrower preference(s)."

The Saint Peter's University Hospital ("Saint Peter's") transaction is anticipated to total approximately \$145 million. Goldman Sachs is the senior managing underwriter for the bonds. Saint Peter's has requested that Citi Global Capital Markets be considered as a co-manager for the bonds. For a financing of this size, staff recommends three co-managers. To complement the senior managing underwriter and the requested co-manager, staff recommended adding Bergen Capital and Janney Montgomery Scott as co-managers.

Because all three recommended co-managers are (i) on the Authority's qualified list, (ii) have demonstrated their ability to distribute New Jersey securities of comparable credit quality, (iii) have sufficient capital to participate in underwriting the issue, and (iv) include the borrower's preference, staff recommended the appointment of Bergen Capital, Citi Global Capital Markets and Janney Montgomery Scott as co-managers for the Saint Peter's bonds.

Mr. Escher noted that Goldman Sachs is serving as the senior manager; he asked about the hospital's request for Citi Global to serve as co-manager. Mr. Hopkins noted that Saint Peter's originally requested Goldman Sachs to solely senior manage the transaction with no

named co-managers, however, the hospital stated that if a co-manager is required, it would like Citi Global to be appointed as such.

Mr. Escher asked if Citi Global has worked with the Authority in the past; Mr. Hancock noted that Citi Global is a part of Citigroup, which the Members may recall is the employer of Michael Irwin who served as an outside expert at the Authority's June retreat. Also, Citigroup has worked on some of the Authority's larger transactions in the past. Mr. Escher noted that Citi Global is a new entity name and asked if Citigroup had dissolved Smith Barney; it was noted that Smith Barney may still exist in some capacities.

Mr. Lee recognized that Janney Montgomery Scott is a large firm and asked if Bergen Capital is a small firm based in New Jersey. Mr. Hopkins noted that, while Bergen Capital is a smaller firm, it does not qualify as a "small firm" under the State's criteria in its procurement policy executive order, though it is based in New Jersey. Mr. Hancock added that Bergen Capital is a subsidiary of Scott & Stringfellow, which is a subsidiary of BB&T. Therefore, a large corporation stands behind Bergen Capital. Mr. Lee asked if Bergen Capital is either women-owned or minority-owned, to which Mr. Hancock replied that it is not.

There were no further questions. Ms. Stokley moved to appoint the recommended firms; Dr. Cohen seconded. The vote was unanimous and the motion carried.

#### **AB RESOLUTION NO. HH-71**

**NOW, THEREFORE, BE IT RESOLVED**, That the Authority hereby appoints the following three firms to serve as co-managers for the Saint Peter's University Hospital transaction:

- Citi Global Capital Markets
- Bergen Capital
- Janney Montgomery Scott

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

##### ***Approved Purchaser for Bayonne Medical Center***

Mr. Hopkins reported to the Members that on November 1<sup>st</sup>, the bankruptcy court approved Urban Suburban Associates (a joint venture partner with the multibillion dollar real estate firm Fortis Property Group) as purchaser of Bayonne Medical Center. Urban Suburban agreed to purchase the facility for approximately \$33 million, which includes paying off the debtor in possession loan, assuming the Authority's loan for \$2.5 million and assuming the loan of the city of Bayonne, as well as other obligations.

Urban Suburban will bring in a non-profit hospital operator to run the facility. Until this firm takes over operations, Dan Kane will continue to serve as Chief Executive Officer of the facility. Jim Lawler, who has Chief Financial Officer experience with UMDNJ and Jersey City Medical Center, will also participate in the transition. It was noted that Jim Lawler was a separate bidder for the Bayonne facility early in the bidding process, however, he later joined forces with first another bidder, and then finally with Urban Suburban.

Staff is waiting to hear confirmation that the purchaser has deposited \$2.25 million to Bayonne Medical Center, which will serve as a type of Good Faith deposit and is one of the key reasons the entity was supported by the creditors as the winning purchaser. Also, Urban Suburban's bid included very few breakage conditions.

Mr. Hopkins noted that the Authority did promise, in court, to make the loan to Urban Suburban, requiring them to abide by all the conditions approved by the Authority Members.

It was noted that Mr. Roncs cross-examined a witness in the hearing as part of the process to establish a record for the sale. In his questioning, Mr. Roncs seeked to ensure that the Authority's conditions would be satisfied (i.e. would the facility continue to operate as an acute care facility, would the purchaser assume the Authority loan, etc.).

Mr. Roncs confirmed for the Members that the facility will continue to operate as an acute care hospital, noting that a restriction will be included in the deed for the facility to run as such for a minimum of seven years. Mr. Escher asked who requested a health that restriction, to which Mr. Roncs stated that is was likely the debtor, since that was a large interest regarding this purchase-- that the facility continue to run as an acute care hospital. Mr. Roncs noted that, while there were potential bidders early on who were interested in using the property for other uses, no formal bids to use the facility for purposes other than a hospital emerged in the process.

Mr. Roncs added that the city of Bayonne still needs to issue \$6 million in bonds to fund the facility, and there are also local finance board conditions that were imposed in the original financing approval that need to be amended and or removed to fit this bid.

Mr. Roncs added that the judge was pleased with the Authority for stepping up and providing this loan in order to maintain the health care facility. Mr. Escher acknowledged that it is nice to be recognized for undertaking this rather risky endeavor for the benefit of the Bayonne Community.

#### ***ADJOURNMENT***

At this point, Mr. Hopkins thanked the Members for agreeing to this special meeting to accomplish the appointments that had been overlooked at the last meeting. As there was no further business to be addressed, Ms. Stokley moved to adjourn the meeting, Mr. Lee seconded. The vote was unanimous, and the motion carried at approximately 10:17 a.m.

I HEREBY CERTIFY THAT THE  
FOREGOING IS A TRUE COPY  
OF MINUTES OF THE NEW  
JERSEY HEALTH CARE  
FACILITIES FINANCING  
AUTHORITY SPECIAL MEETING  
HELD ON NOVEMBER 2, 2007.

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Dennis Hancock  
Assistant Secretary