

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on February 24, 2005 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

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

Noreen White, Public Member; Gus Escher, Public Member; Frieda Phillips, representing the Commissioner of Human Services; Ed Tetelman, representing the Commissioner of Health and Senior Services; and, Maryann Kralik, representing the Commissioner of Banking and Insurance.

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

Mark Hopkins, Dennis Hancock, Steve Fillebrown, Suzanne Walton, Lou George, Bill McLaughlin, Susan Tonry, Michael Ittleson, Carole Conover, Marji McAvoy, Bill Lohman, Stephanie Zschunke, Authority Staff; Manny Fernandez, the Treasurer's Office; Verice Mason, Victoria Pratt, Authorities Unit Office of the Governor; and, Clifford T. Rones, Deputy Attorney General.

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

Gary Walsh, Riker, Danzig, Scherer, Hyland & Perretti; Sean Hopkins, New Jersey Hospital Association; Liza Wolf, Cozen O'Connor; Bob Harvey, North Fork Bank; Tassos Efstratiades, Obermayer, Rebmann, Maxwell & Hippel; Kay Fern, Karen Mosner, Evergreen Financial Services; Bill Mayer, DeCotiis Fitzpatrick, Cole & Wisler; Jim Fearon, Gluck, Walrath & Lanicano; Sharon Landgraf, PNC Capital; and, Karen Fazio, Wachovia Securities.

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

Noreen White called the meeting to order at 10:40 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the June 24, 2004 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 the 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***

Ms. White stated that the minutes for the Authority's January 27, 2005 meeting had been distributed for review and approval. Mr. Tetelman offered a motion to approve the minutes. Mr. Escher seconded. Ms. White voted yes, Mr. Escher voted yes, Ms. Phillips voted yes, Mr. Tetelman voted yes, and Ms. Kralik abstained. The motion carried and the minutes were approved.

## ***REVISED BOND SALE RESOLUTION***

### ***Recovery Management Systems, Inc.***

Dennis Hancock reminded the Members that, at the October 2004 meeting of the Authority, a contingent bond sale not to exceed \$14.5 million was approved on behalf of Recovery Management Systems, Inc. Recovery is an organization that will own and manage a facility used by Discovery Institute for Addictive Disorders, Inc. and New Hope Foundation, Inc. Both Discovery and New Hope offer a comprehensive array of individualized assessment, residential treatment, detoxification, partial hospitalization and sub-acute medical services to the chemically dependent and compulsive gambling population and their families.

The October bond resolution included a contingency requiring the signing of a purchase contract by January 26, 2005. Commerce Bank had issued a commitment for a Letter of Credit prior to the Authority's October meeting and the three-month period was expected to be more than sufficient to complete the financing. However, Recovery is the recipient of a number of grants from the State that will be used for portions of the construction, and certain security provisions required by the State conflicted with the Bank's commitment terms. These conflicts could not be negotiated in time for the bonds to be sold prior to the expiration of the Letter of Credit commitment and the January 26, 2005 contingency date. After completing negotiations with the State, the Bank has provided a new commitment.

Mr. Hancock stated that, subsequent to the mailing, Commerce Bank, as the provider of the Letter of Credit, requested a change to the Trust Indenture language concerning the removal of the Remarketing Agent. They asked that, since the change of remarketing agent may have a significant impact on the marketability of the bonds, which, in turn, would impact the value of the Letter of Credit, any removal done independently by the Authority should be for "cause". However, the removal of the remarketing agent by the Authority after a request by the borrower could be done without "cause", since any cost implications of a change in the remarketing agent would fall to the borrower.

The financing can only proceed if the Authority approves an amended and restated bond resolution, a copy of which was included in the mailing materials and is basically the same as the one approved in October except that the purchase contract date has been changed to no later than May 1, 2005, the date of the Indenture and Loan Agreement will no longer be November 1, 2004 and the name of the bonds now references 2005 instead of 2004.

Mr. Tetelman noted that Recovery relies on a significant amount of grant money and asked if the Authority expects to see further delaying requests such as this for the Recovery transaction. Mr. Hancock stated that the State representatives and the bank involved are comfortable with the negotiations that took place. Authority staff expects an official statement to be printed and distributed for the bonds by the end of March. Mr. Tetelman asked if the action taken on Recovery's behalf at today's meeting will have any effect on the issuance in terms of basis points, to which Mr. Hancock replied that there has been no change to the bank's fee structure for the transaction.

Mr. Escher offered a motion to adopt the amended and restated bond resolution on behalf of Recovery Management Systems; Ms. Phillips seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. EE-64**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Amended and Restated Bond Resolution entitled, “NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY VARIABLE RATE REVENUE BONDS, RECOVERY MANAGEMENT SYSTEMS, INC. ISSUE, SERIES 2005.”

***REQUEST FOR NEGOTIATED SALE***

***CentraState Medical Center***

Mark Hopkins reported that CentraState Medical Center (“CentraState”) signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to (i) fund the tax exempt portion of a two-story, 146,500 square foot Ambulatory Care Center adjacent to the Medical Center, and (ii) reimburse itself for an expansion/renovation of the Emergency Department and other internal renovations at the Medical Center. CentraState expects the new money project to total approximately \$9 million and expects to reimburse itself approximately \$9 million for the recently completed Emergency Department expansion/renovation and other renovation projects. Thus, CentraState is seeking to finance a total of approximately \$18,360,000 through the Authority.

In 1998, the Authority issued \$61,290,000 in bonds on behalf of CentraState, of which approximately \$54 million remains outstanding. The Authority also issued bonds for CentraState in 1991 and 1993 which have since been defeased. The Authority issued \$8,000,000 in bonds for CentraState Assisted Living, Inc., an affiliate of CentraState, in 1998, of which approximately \$7 million remains outstanding. CentraState is not obligated on the bonds issued for CentraState Assisted Living, Inc. but the parent of both entities, CentraState Healthcare Systems is a guarantor on the CentraState Assisted Living bonds. These obligations are expected to remain outstanding.

Mr. Hopkins described CentraState as a 263-bed, not-for-profit general acute care hospital located in Freehold Township, New Jersey. It provides a broad range of adult, pediatric and newborn acute care services as well as numerous outpatient, ambulatory and emergency care services to the communities in and around central Monmouth County. The parent, CentraState Healthcare System, Inc., is a New Jersey not-for-profit corporation.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, CentraState generated increases in net assets of \$7,502,000 in 2003 and an increase in net assets of \$4,316,000 for 2002. Unaudited information for the nine months ended September 30, 2004 shows an increase in net assets of approximately \$4,000,000, continuing its recent history of positive results of operations.

On behalf of CentraState, Mr. Hopkins recommended that the Authority permit the use of a negotiated sale based on its expected use of variable rate debt and the complexity of the financing structure, including the anticipated simultaneous sale of more than one series of bonds with each series structured differently. Each of these reasons is considered under the Authority's policy regarding Executive Order No. 26 to be a justification for the use of a negotiated sale. He also recommended forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins added that CentraState completed a competitive process in the event that the Authority approved the negotiated sale request. Through this process, CentraState identified UBS Financial Services as senior manager and, if applicable, remarketing agent. Mr. Tetelman offered a motion to approve the resolution permitting the pursuit of a negotiated sale on behalf of CentraState, and the transmittal of a copy of this resolution and its justification to the State Treasurer. Mr. Escher seconded. The vote was unanimous and the motion carried.

#### **AB RESOLUTION NO. EE-65**

*(attached)*

Mr. Escher noted for the record that he is employed by a banking corporation which has an affiliate that may be affected by the outcome of the following three agenda items. As such, he will withdraw himself from the discussion and will abstain in voting on the next three pieces of business in order to avoid any perceived conflict of interest.

#### **QUALIFICATION OF INVESTMENT BANKERS**

On behalf of the Authority staff, Mr. Hopkins recommended the qualification of 47 firms, as outlined on the summary presented in the Members' mailing materials, for one or more classifications of bankers to serve the Authority and its borrowers. These classifications include senior managing underwriter, co-managing underwriter, placement agent, financial advisor, and remarketing agent.

The recommendation is based on the evaluation of statements of qualifications received by the Authority in response to its request for qualifications sent to potential respondents on March 15, 2004. Evaluations were made based on experience, analytical capabilities, capitalization, demonstrated ability to distribute comparable securities, presence in New Jersey and commitment to New Jersey's health care organizations, all as appropriate for the particular category or categories for which each firm requested consideration.

Mr. Hopkins stated that, as documented in the Authority's policy, qualifications to serve the Authority will be evaluated on an ongoing basis as statements of qualifications are submitted. A comprehensive review of qualifications will be made not more often than once per year and not less often than every two years. If approved, firms will be notified of their various roles after the expiration of the (Acting) Governor's veto period. Firms qualified as underwriters will be asked to certify, on a quarterly basis, that there has been no material change in their financial condition since such firm submitted its statement of qualifications to the Authority.

Each firm selected by the Authority to serve in any of the capacities identified above must be in compliance with Executive Order No. 134 and remain in compliance therewith. If any firm selected fails to be in compliance with Executive Order No. 134, such firm will automatically be ineligible to serve as senior managing underwriter, co-managing underwriter, placement agent, financial advisor, or remarketing agent on Authority financings. Firms qualified hereby are under an ongoing obligation to report if they are no longer in compliance with Executive Order No. 134.

Ms. White asked if all 47 banks named on the list currently comply with Executive Order No. 134. Mr. Hopkins stated that most of the banks listed are in compliance through an RFP submitted directly to the Treasurer's office. Those on the list that are not yet deemed compliant are under review by the Treasurer's Executive Order No. 134 Review Unit. Also, before assigning a qualified bank from this list to an Authority transaction, staff will confirm the firm's compliance.

Mr. Hopkins briefly explained that Executive Order No. 134 was promulgated by Governor James E. McGreevey and requires that any contractor performing service for the State cannot have contributed to any State or Local Government officials since October 15th. It is effective for contracts that are \$17,500 or greater. Ms. White added that Executive Order No. 134 can be found in its entirety under the Treasury Department on the State of New Jersey's website.

Mr. Tetelman offered a motion to approve the recommended modifications to the Authority's list of qualified bankers; Ms. Phillips seconded. Ms. White voted yes, Mr. Escher abstained, Ms. Phillips voted yes, Mr. Tetelman voted yes, and Ms. Kralik voted yes. The motion carried.

#### **AB RESOLUTION NO. EE-66**

***NOW, THEREFORE, BE IT RESOLVED***, that the Authority hereby approves a list of qualified bankers to serve the Authority and its borrowers in the following capacities, as is more specifically indicated on said list (attached hereto): senior managing underwriter, co-managing underwriter, placement agent, financial advisor, and remarketing agent.

#### ***REQUEST FOR VARIABLE RATE COMPOSITE PROGRAM UNDERWRITER RFP***

Mr. Hopkins stated that staff had begun to receive inquiries about a new Variable Rate Composite Program ("COMP") financing. Since the Authority's selection of Commerce and Wachovia as alternating senior managers/remarketing agent was for a two-year period beginning in November of 2002, it is necessary to select a new firm or firms to act as senior manager for the next issue. Discussions with the Attorney General's office indicated that the Authority could comply with the requirements of Executive Order No. 26 by selecting three or more firms from our list of approved senior managers and having them reply to a proposal request that includes a fee quote.

Staff reviewed the qualifications submitted by the firms in response to the Authority's 2002 and 2004 request for qualifications to develop a sub-list of approved firms that requested consideration for a COMP financing. Further, staff identified those firms within the sub-list that

have a broader knowledge of the New Jersey healthcare market, since there is considerable interaction between a COMP senior manager and the providers to identify potential borrowers for the Program. A firm with an existing client base has proven to more effectively draw borrowers to the Program. Experience has also shown that, although borrowers identify their own source of credit support, having an underwriter that is affiliated with a bank has been helpful to borrowers that might otherwise have difficulty attracting a letter of credit provider.

According to Mr. Hopkins, this review yielded three possible underwriters: Bank of America Securities, PNC and Wachovia. All three of these underwriters have bank affiliations, all three have had some experience with COMP financings, and all have numerous connections with New Jersey providers. Staff recommends that the Members consider authorizing the dissemination of the drafted request for proposals (“RFP”) to the abovementioned firms. A copy of the proposed RFP draft (attached) had been distributed to the Members in their meeting packets.

Mr. Tetelman asked if any other banking firms demonstrated interest in serving as the COMP underwriter. Mr. Hopkins stated that there were a number of interested firms in response to the initial request. Staff reviewed the responses and based on the Authority’s criteria mentioned above, these three remained as the most qualified firms for the contract. He noted that he can provide Mr. Tetelman with the total number interested in the initial response at a later date. Mr. Tetelman then moved to approve the Authority’s dissemination of the RFP, in the presented form, in order to select a senior manager for the COMP program; Ms. White seconded. Ms. White voted yes, Mr. Escher abstained, Ms. Phillips voted yes, Mr. Tetelman voted yes, and Ms. Kralik voted yes. The motion carried.

#### **AB RESOLUTION NO. EE-67**

***NOW THEREFORE, BE IT RESOLVED***, that the Authority hereby approves the proposed RFP draft, and authorizes dissemination of the RFP in that presented format to Bank of America Securities, PNC and Wachovia.

#### ***AMENDMENT TO THE EXECUTIVE ORDER No. 26 POLICY***

Mr. Hopkins stated that a change is recommended with respect to the “Policies and Procedures Adopted by the New Jersey Health Care Facilities Financing Authority to Implement Executive Order No. 26”. An updated draft of the Executive Order reflecting the recommendations and the Attorney General’s comments was distributed to the Members at the meeting for their review. In brief, the change alters the procedure used by the Authority in the selection of Senior Managing Underwriters, Remarketing Agents, Placement Agents and Financial Advisors (“Financial Professionals”) for the issuance of Authority bonds.

The change gives the Authority primary responsibility for selecting a Financial Professional from its qualified list after a competitive process in accordance with Executive Order No. 26 (Whitman). The proposed change is designed to ensure that a rigorous and competitive process is being undertaken in the selection, and that the process is open to all the Financial Professionals on the Authority’s qualified list. Ms. Phillips noted that page eight of the distributed updated draft should reflect the same changes that were seen on page four with respect to small businesses. Cliff Rones agreed.

Ms. White stated that the Authority has struggled over the years to ensure that the New Jersey healthcare market remains open with respect to the financial firms that offer services to hospitals and related entities. Throughout the years, the Authority has conducted this process in a number of different ways in order to provide each of the qualified firms with the ability to compete for health care financing business in New Jersey. These proposed changes give the Authority greater involvement in the process and greater ability to ensure an open competitive market. At the same time, the Authority pledges to continue to work with the hospitals in the selection process.

At this point, Sean Hopkins, a representative of the New Jersey Hospital Association made a public statement expressing that access to capital is a significant concern for New Jersey's hospitals, which continue to struggle financially. When a hospital chooses a Financial Professional, that decision is based on a variety of factors, including but not limited to cost, working comfort level, effectiveness, and efficiency. The New Jersey Hospital Association stated that the hospitals would have concern if their input on this selection is limited.

Ms. White agreed and stated that the Authority will factor in the same criteria when selecting which Financial Professional is the best fit for each individual transaction. Through this policy change, the Authority aims to ensure that a rigorous competitive process is completed to ensure that New Jersey maintains an open market for financial firms. This action will also help to engage some newly qualified firms that have strong health care presences in other states and would like to enter New Jersey's health care market. Ms. White added that the Authority would never propose a policy that would hurt New Jersey's hospitals.

Kay Fern introduced herself as a representative of Evergreen Financial Services, which she stated supports a competitive market. She noted the Authority's intention to allow new firms to participate in Authority transactions, and asked if any firms in particular had specially requested a more competitive process. Ms. White stated that instead of disclosing individual requests, she would like to reiterate that of all the banks qualified for Authority contracts, only a minority of those firms is solicited by hospitals. The Authority wishes to make the process more inclusive. Also, this is not a new procedure for the Authority as it previously had the primary selection responsibility in years past.

Ms. Fern asked if the Authority views all 47 banks as equally qualified to ensure that the hospitals get the best and brightest ideas. Ms. White replied that the Authority staff works very hard to analyze the banks, based on various criteria through RFPs and interviews, to ensure that any firm granted status as a qualified senior manager is, in fact, qualified to serve as senior manager. Staff will also work hard to determine which Financial Professionals are the best match for a given transaction.

Ms. Fern asked if the hospitals will still be permitted to provide input on the selection and also, if the hospitals would like to provide feedback on the change, to whom should they address comments. Ms. White replied that the hospitals are certainly able to provide input on the selection and the Authority staff will make it a practice to consult with the hospitals in the decision-making. Any feedback regarding the policy change should be addressed to Mark

Hopkins, the Authority's Executive Director. Ms. White and Ms. Fern agreed that despite possible concerns, increased competition is beneficial for New Jersey and the hospitals.

Mr. Tetelman asked if other authorities use similar selection processes, to which Ms. White stated that, while for some it is inapplicable (such as the New Jersey Turnpike Authority who only issues bonds intermittently), other authorities such as the Educational Facilities Authority have a qualified list of professionals from which they select and assign, as does the State Treasurer.

Ms. White offered a motion to amend the Authority's E.O. No. 26 Policy regarding the selection of underwriters, incorporating the Attorney General's comments; Ms. Phillips seconded. Ms. White voted yes, Mr. Escher abstained, Ms. Phillips voted yes, Mr. Tetelman voted yes, and Ms. Kralik voted yes. The motion carried.

#### **AB RESOLUTION NO. EE-68**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby amends, along with the incorporation of the Attorney General's comments, the "Policies and Procedures Adopted by the New Jersey Health Care Facilities Financing Authority to Implement Executive Order No. 26", to give the Authority primary responsibility for selecting a Senior Managing Underwriter, Remarketing Agent, Placement Agent and Financial Advisor for Authority-issued bonds (as attached); and,

**BE IT FURTHER RESOLVED**, that the selection for these services will be made from the Authority's list of qualified bankers after a competitive process in accordance with Executive Order No. 26 (Whitman).

#### ***PREVAILING WAGE REGULATIONS***

Mr. Hopkins reminded the Members that in August of 2004, the New Jersey Legislature adopted an amendment to the Authority's enabling act requiring that any worker employed by an Authority-financed construction or rehabilitation project must be paid the applicable prevailing wage. As part of that legislation, the Authority is required to promulgate regulations effectuating the prevailing wage provisions.

Mr. Hopkins stated that both staff and the Department of Labor and Workforce Development reviewed the draft regulations, which are currently being revised by the Attorney General's Office. Staff requested that the Authority Members approve the form of the regulations with such changes recommended by the Attorney General and approved by the Executive Director. The approval will enable staff to finalize the regulations and begin the process required by the Administrative Procedure Act to enact the regulations.

Mr. Tetelman offered a motion to approve the proposed Prevailing Wage Regulations, with any changes recommended by the Attorney General and approved by the Executive Director, and authorize staff to begin the process of enacting those regulations in accordance with the Administrative Procedure Act. Mr. Escher seconded. The vote was unanimous and the motion carried.



**AB RESOLUTION NO. EE-69**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the proposed Prevailing Wage Regulations, with any changes recommended by the Attorney General and approved by the Executive Director, and;

**BE IT FURTHER RESOLVED**, that the Authority authorizes staff to begin the process of enacting Prevailing Wage Regulations in accordance with the Administrative Procedure Act.

***AUTHORITY EXPENSES***

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

**AB RESOLUTION NO. EE-70**

**WHEREAS**, the Authority has reviewed memoranda dated February 24, 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 \$849,115.28, \$75,151.56 and \$38,240.12 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***

Ms. White referenced staff reports that were distributed for review, including the Project Development Summary, Interest Rate Trends Graph, Cash Flow Statement, and Legislative Advisory. Mr. Tetelman noted that the auction rates show an increase and he asked how steeply the upward trend is climbing, to which Mr. Hancock stated that during the week prior, auction rates dropped some, therefore, the market is very volatile right now and a trend or forecast is difficult to establish.

Mr. Hopkins then began his Executive Director's report by reiterating that the Executive Order No. 134 Review Unit is continuing its review of the Authority's Qualified Bankers List, and Cain Brothers and Ziegler Capital Markets Group have both been deemed compliant with the Order. He reported that Authority staff reviewed a possible coverage alternative to replace the recently removed Travel and Accident coverage from the Director's and Officers Liability insurance policy. After review, staff determined that the additional coverage is not worth the \$1,400 to \$2,600 cost, since such coverage is already provided under the Authority's Worker's Compensation policy or under the Authority's Auto Insurance.

The Authority celebrated three staff anniversaries this month: Information Technology Specialist Gene Sullens has been with the Authority for five years, and Administrative Assistant Mae Jeffries-Grant and Senior Account Administrator Wanda Lewis have both been with the Authority for twenty years as of this month.

Mr. Hopkins reported that since the last Authority meeting, he has met with Public Financial Management as a potential financial advisor for Authority borrowers, JPMorgan Chase as a potential underwriter, Fitch Ratings, and Alvarez & Marsal Inc., which is a hospital turnaround firm.

Mr. Hopkins stated that he and Steve Fillebrown, the Authority's Director of Research and Investor Relations, attended the Health Policy Forum to review current issues in health policy. Mr. Hopkins has been asked to speak at the Healthcare Financial Management Association conference on June 14, 2005. He added that Steve Fillebrown has been nominated to sit on the Board of the National Council of Health Facilities Financing Authorities ("NCHFFA"). Corrine Johnson, Executive Director of Colorado's health care authority visited Mr. Hopkins as part of the NCHFFA mentoring program.

Mr. Hopkins completed his report by reminding Members that the Authority's Finance Committee will be having a meeting to review the financial audit on March 8, 2005, at the Authority offices, starting at 10:00 a.m.

Mr. Escher asked if there had been any progress on an earlier discussion about CDR Financial Products and their swap analyses. There has not been. He then asked if, at the Finance Committee Meeting, attendees could be given a brief presentation on a swap analysis from a firm that provides such service. Mr. Hopkins stated that he will pursue requesting a tutorial for the meeting. Mr. Tetelman asked if staff is able to tell how many New Jersey hospitals are currently involved in swap agreements, to which Mr. Fillebrown stated that a statewide number or percentage is unknown, though staff may be able to determine whether or not a hospital has entered into one. The level of disclosure about the swap, however, varies by hospital.

#### ***ADJOURN***

As there was no further business to be addressed, Mr. Escher moved to adjourn the meeting, Mr. Tetelman seconded. The vote was unanimous and the motion was carried at 11:30 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 FEBRUARY 24, 2005.

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Dennis Hancock  
Assistant Secretary

**AB RESOLUTION NO. EE-65**

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

***CentraState Medical Center***

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**WHEREAS**, the New Jersey Health Care Facilities Financing Authority (the “Authority”) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29, N.J.S.A. 26:2I-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**, CentraState has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

**WHEREAS**, CentraState 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**, CentraState 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 CentraState'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.

## **Request for Proposal COMP 2005-6**

### Background

The Authority has utilized its senior managers on the COMP financings to identify potential borrowers, work with borrowers to secure credit support, prepare timetables/working group lists in compliance with Authority requirements, interface with rating services, and generally manage the transaction through closing with input from the Authority's Project Management and Operations staff.

### Questions

1. The Authority's COMP financings have utilized relatively standard legal documents, including an official statement that provided minimal information on the borrowers. Is your firm comfortable with this structure or will you require changes?
2. Provide the most recent three months of interest rates for this Authority's issues where your firm is the remarketing agent on 7-day variable rate demand notes or auction rate securities. Include the weekly Bond Market Association index and the credit provider.
3. Identify the professionals that you would use to staff this engagement.
4. Provide your underwriting fees as follows:

#### Per \$1,000 bond

Management Fee	_____
Expenses	_____ (must include underwriter's counsel fees)
Takedown	_____
Risk	_____
Remarketing Fee	_____

**POLICIES AND PROCEDURES**

**ADOPTED BY THE**

**NEW JERSEY HEALTH CARE FACILITIES**

**FINANCING AUTHORITY**

**TO IMPLEMENT**

**EXECUTIVE ORDER NO. 26**

***REVISED MARCH 28, 1996***

**(With proposed revisions approved by Authority Members at the Authority's February 24, 2005 meeting,  
to become effective only upon the Governor's approval of the minutes of said meeting  
or upon the expiration of the Governor's veto period.)**

## *1. REQUEST FOR QUALIFICATIONS*

A Request for Statements of Qualifications ("RFQ") to qualify firms to serve as senior managers, co-managers, financial advisors and private placement agents shall be prepared by staff and distributed at the Authority's discretion not more than once a year, but not less than every two years. The availability of the Request for Statements of Qualifications shall be advertised in "The Bond Buyer," and copies shall be mailed to firms that have previously served the Authority, as well as to any other firm which has expressed an interest in submitting a statement of qualifications.

Firms will be qualified to perform the following functions:

- Senior Managers/Financial Advisors/  
Private Placement Agents
- Co-Managers

The statements of qualifications will be reviewed by Authority staff and, based on the following criteria, certain firms will be recommended to the Authority Board for qualification:

- Experience with similar financings in which the firm and its proposed financing team participated;
- Analytical capabilities (Senior Managers; Financial Advisors, and Private Placement Agents only);
- Sufficient capital (Senior and Co-Managers only)
- Demonstrated ability to distribute New Jersey securities (Senior Managers, Co-Managers and Private Placement Agents only); and,
- Quality of relevant service to the Authority in previous transactions.

## 2. ***METHOD OF SALE***

The policy of the Authority will be to generally require that all bonds be sold on a competitive basis. A negotiated sale or private placement will be conducted if it is determined that it would better serve the requirements of a particular financing. Borrower input will be considered when assessing the advisability of completing a negotiated transaction or a private placement. The circumstances under which a negotiated bond sale would be permitted include, but are not limited to, the following:

- sale of complex or poor credits;
- sale 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; and,
- variable rate transactions.

A private placement would be permitted if, based on a financial analysis, it would be less expensive on a present value basis to complete a private placement; or, if such other circumstances (i.e., credit considerations) would limit effectiveness or usefulness of a public sale.

No resolution need be adopted by the Authority if a transaction is to be sold by competitive bid. When the Authority determines that the sale of bonds should be negotiated or privately placed, a decision regarding the method of sale for each such issue shall be made by Authority resolution. Justification in support of such decision shall be specific to the particular bond sale and shall be filed with the Treasurer within five (5) days of the decision.

In those circumstances where similar types of transactions are utilized on a somewhat regular basis, the Authority may make determinations with respect to the method of sale, consistent with the above criteria, which will be utilized for two or more transactions, provided that the transactions are part of a larger bonding program of similarly secured financings. Public determinations with respect to these financing programs shall be rendered at least annually.

The Authority reserves the right to modify the method of sale depending on the same criteria listed above (i.e., the Board need not adopt a resolution to approve the sale of bonds by competitive bid, but a resolution will be required to complete a negotiated sale or private placement).



3. ***SELECTION OF INVESTMENT BANKING FIRMS TO PROVIDE SENIOR MANAGER/FINANCIAL ADVISOR/PRIVATE PLACEMENT AGENT, OR CO-MANAGER SERVICES***

The following procedures shall be followed in selecting investment banking firms to serve as senior manager/financial advisor/private placement agent, or co-manager for specific Authority financings:

1. For competitive sales, the Authority will select a firm from its qualified list to serve as financial advisor using a competitive process in compliance with Executive Order No. 26 with the selection procedures and criteria made available to the public. For negotiated sales, the Authority may select a firm to serve as financial advisor if it is determined to be in the best interests of completing the financing in the most cost effective manner. The Authority, in its deliberations, will consult with the borrower on the selection of a financial advisor.
2. For negotiated sales, the Authority will select a firm from its qualified list to serve as senior managing underwriter or placement agent using a competitive process in compliance with Executive Order No. 26 with the selection procedures and criteria made available to the public. The Authority reserves the right to request additional information from firms on its qualified list or to interview firms prior to making its selection. The Authority, in its deliberations, will consider suggestions from the borrower, and, if requested by the borrower, the Authority will consider serving as private placement agent.
3. As part of any negotiated public financing to be undertaken by the Authority, the Authority reserves the right to select a firm, from its qualified list giving consideration to firms that are small businesses and/or a firms with a presence in New Jersey, to serve as a co-senior manager.
4. The Authority also reserves the right to select firm(s), from its qualified list, to serve as a co-managing underwriter(s) for its public 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).

4. ***FEES FOR SENIOR MANAGERS, CO-MANAGERS, FINANCIAL ADVISORS AND PRIVATE PLACEMENT AGENTS***

In cases where the Authority appoints senior managing underwriters, financial advisors, or placement agents and, in all cases as it relates to co-managers, the following shall apply:

1. No fees will be paid to senior managers, co-senior managers, co-managers, financial advisors or private placement agents unless a transaction shall close. In the event of a change in method of financing (e.g., negotiated to competitive or competitive to negotiated), the Authority will determine a fair level of compensation for a firm whose services are no longer required. Such compensation will only be paid upon settlement of the transaction to which the firm was originally assigned.
2. Proposed and accepted fees will be treated as a bid unless it is determined by the Authority staff at the time of pricing that a modification to the proposed fees will lower the cost of the transaction, on a present value basis, to the borrower. Any such modification will be reported at an open public meeting of the Authority.

The borrower will be consulted by the Authority in the negotiation of all fees.

5.     ***SELECTION OF BOND COUNSEL***

The Authority will comply with the process for selection of bond counsel as established by the Attorney General.

**6.      *SELECTION OF ARCHITECTS, ENGINEERS AND ACCOUNTANTS***

The Authority will continue to utilize competitive practices for the selection of architects, engineers and accountants to ensure the best services at the lowest cost. Information regarding such procedures and criteria for selection shall be made available to the public prior to the receipt of proposals and/or bids for such services. Any selection of architects, engineers and accountants shall include particular consideration of firms that are small businesses and those firms with a presence in New Jersey.

7.     **REPORTS**

A report, which includes the allocation of bonds and fees received by each member of the underwriting syndicate and a breakout of the costs of issuance, shall be prepared and submitted to the Treasurer and the Attorney General within 30 days of the closing of a bond issue. Such report shall also be available for the public to read at the offices of the Authority.

On or before January 31 of each year, a debt management plan, with respect to the Authority's bond financing programs, shall be submitted to the Treasurer. The plan shall include information on the outstanding debt and debt service costs for the prior and current year and shall also describe the proposed bond issues for the year, outlining the size and purpose of each transaction; the expected sale date of the issue; the security and expected ratings for each transaction; the expected method of sale; and, the method of selecting financial professionals consistent with the terms of Executive Order No. 26.