

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on January 25, 2007 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

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

Fred M. Jacobs, Commissioner of Health and Senior Services (Chairman); Gus Escher, Public Member; Moshe Cohen, Public Member (on the telephone); Thom Jackson, Public Member; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Freida Phillips, Designee of the Commissioner of Human Services; and, Edward Tetelman, Designee of the Commissioner of Health and Senior Services.

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

Mark Hopkins, Dennis Hancock, Jim Van Wart, Michael Ittleson, Suzanne Walton, Susan Tonry, Robin Piotrowski, Bob Day, Bill McLaughlin, Lou George, Carole Conover, and Stephanie Bilovsky.

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

Kay Fern, Evergreen Financial; Greg Adams, Holy Name Hospital; John Draikiwicz, Gibbons, Del Deo, Dolan, Griffinger & Vecchione; Randy Schultz, Dan Davis, Catholic Health East; Howard Eichenbaum, GluckWalrath; Paul DelVecchio, Joseph Marion, Merrill Lynch; Ron Haase, Banc of America Public Corp.; Rich Nolan, McCarter & English; Michael Congedo, Wayne Ziemann, JH Cohn; Gary Walsh, Windels, Marx, Lane & Mittendorf; David Kostinas, David Kostinas & Associates; Jack Robinson, Marian Speid, St. Joseph's Regional Medical Center; John Lochner, Towers Perrin Tillinghast; Jack Swire, Kari Fazio, Brian Carter, Wachovia Bank; Robert Smith, Danielle Cheung, JPMorgan Chase; John Callendriello, Saint Peter's University Hospital; Stuart May, Frank Maddalena, Barnert Hospital; Brian Adams, Cornellis & Adams; Sharon Price-Cates, Governor's Authorities Unit; Thomas Papa, Treasury; and, Clifford T. Rones, Deputy Attorney General.

### **CALL TO ORDER**

Dr. Jacobs called the meeting to order at 10:04 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 25, 2006 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

## ***APPROVAL OF MINUTES***

### ***December 15, 2006 Special Authority Meeting***

The minutes for the Authority's December 15, 2006 Authority meeting were distributed for review and approval. Mr. Escher offered a motion to approve the minutes; Ms Kralik seconded. Dr. Jacobs abstained; Mr. Escher voted yes; Ms. Kralik voted yes, and Ms. Phillips voted yes. Dr. Cohen and Mr. Jackson were not present for the vote, therefore, with only three of the four votes needed, the motion does not carry. The four votes will be recorded and the minutes will be presented again at the February meeting to be voted upon by Dr. Cohen and Mr. Jackson.

## ***EXECUTIVE SESSION***

At this point, as permitted by the Open Public Meetings Act and the Authority's By-Laws, Dr. Jacobs asked the Members to meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General. Mr. Escher offered a motion to enter the session; Ms. Phillips seconded it. The vote was unanimous and the motion carried.

### **AB RESOLUTION NO. GG-70**

**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. Dr. Jacobs noted that the Members will address the items from Executive Session under their respective agenda items.

## ***BOND SALE REPORTS***

Mr. Hancock reminded the Members that a private placement bond sale was approved on behalf of Somerset Medical Center at the December Authority meeting. The \$15 million issue was sold to Peapack Gladstone Bank to replace a taxable loan that Peapack Gladstone had provided to complete the Medical Center's Cancer Center. The Governor approved the Authority minutes on an expedited basis and the issue closed on December 29th.

The initial interest rate covering the first ten years of the loan was set based on a formula using Treasury securities as the index. The rate was calculated at 4.42%. This rate will be reset every five years after the initial period. The first business day after the closing, Peapack Gladstone notified staff that it had not realized that the bonds would not be considered "Bank Eligible Bonds" and, as a result, Peapack Gladstone had to sell their holdings. Bonds deemed "Bank Eligible" permit banks to deduct a portion of the carrying costs of the investment for tax purposes, which is a significant advantage. Peapack Gladstone asked staff to help locate potential purchasers and staff has supplied some information, but, to Mr. Hancock's knowledge,

no transfer had taken place as of yet. Bond sale reports are for informational purposes only, therefore, no Authority action was required.

***TEFRA HEARING AND EQUIPMENT REVENUE NOTE PROGRAM  
FitnessFirst Oradell Center, LLC***

Dr. Jacobs announced that, as required by the Tax Reform Act of 1986, the following portion of the meeting will be considered a public hearing in connection with the Authority's proposed FitnessFirst Oradell Center transaction, as well as the St. Mary's Hospital at Passaic transaction.

Suzanne Walton introduced Greg Adams, Senior Vice President and Chief Financial Officer of Holy Name Hospital and Ron Haase, Senior Vice President of Banc of America Public Capital Corp. She informed the Members that FitnessFirst Oradell Center, LLC, the sole member of which is Holy Name Hospital, was formed pursuant to the laws of the State of New Jersey. The LLC elected to be treated as a partnership for federal income tax purposes, and, therefore, will enjoy the same tax status as its 501(c)(3) sole member organization. Ms. Walton reminded the Members that FitnessFirst recently issued bonds through the Authority's COMP Program 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.

Ms. Walton indicated that the Members' were now being asked to approve the sale of the first Note issued under the Authority's retooled Equipment Revenue Note Program, for which a predetermined bond counsel and other Authority procedures reduce transaction time and fees. In order to qualify for the Program, a financing must total less than \$15 million, proceeds must only be used for equipment and minor installation costs, and the issue must be unrated. Financings under the program are pre-approved by the Authority to be completed as negotiated private placements and, therefore, no underwriters are needed for the transactions.

According to Ms. Walton, FitnessFirst would like to issue a \$1,376,000 Equipment Revenue Note to provide funds for the purchase and installation of exercise equipment and other types of equipment used in its operation as a health and fitness center and to pay costs of issuance. Staff is pleased that the Note will be privately placed with Bank of America Public Capital Corp, which worked with staff to enhance the Program and generate new interest.

The Note will be secured by a first lien on the financed equipment and a guaranty from Holy Name Hospital. The term sheet offered by Banc of America establishes an interest rate of 3.92% and requires the Note to be repaid in consecutive monthly installments of principal and interest over a 60-month period. Banc of America will provide the Authority with a traveling investor letter which will provide indemnification to the Authority with respect to the issuance and sale of the Note.

***NOTE RESOLUTION  
(attached in full form)***

John Draikiwicz, Esq. of Gibbons, Del Deo, Dolan, Griffinger & Vecchione, PC stated that the Note Resolution authorizes the issuance of an Equipment Revenue Note in the amount of \$1,376,000 prior to or by the close of business on April 30, 2007. As stated by Ms. Walton, the Note will carry an interest rate of 3.92% per annum and shall mature on the date that is not later than sixty (60) months following the date of issuance. The Note shall be subject to prepayment as set forth in the form of Note appearing as an appendix to the Master Financing Agreement Terms.

The Note Resolution approves the form of the Note and the Master Financing Agreement Terms, including Schedule 1 which incorporates the terms of this loan. In addition, the Resolution states that the revenues derived by the Authority pursuant to the Master Financing Agreement shall be paid directly to the Noteholder and applied to the payment of principal and interest on the Note when due. Finally, the Note Resolution authorizes and directs the Authorized Officers to execute and deliver documents and to take action as may be necessary or appropriate in order to effectuate the execution and delivery of the Agreement and the issuance and sale of the Note.

Noting that the Internal Revenue Service (“IRS”) has been in the news lately for pledging to become more stringent regarding tax-exempt activities, Dr. Cohen expressed concern that fitness centers, which would be competing with other for-profit entities, might come under IRS scrutiny. Mr. Draikiwicz noted that, due to FitnessFirst’s relationship with Holy Name Hospital and because of the health care focus of the facility, the tax specialist at Gibbons, Del Deo, Dolan, Griffinger & Vecchione opines that this transaction qualifies as tax-exempt.

Mr. Jackson noted that the IRS announcement of this intention was very recent and, as such, the IRS itself has yet to develop its approach to that aim. He recommended that staff monitor the IRS’ progress regarding stricter evaluations of taxable projects and alert the Members when further details are released. This way, the Members will be informed for future similar transactions. In the time being, the Members, including Dr. Cohen, expressed satisfaction with the FitnessFirst transaction and bond counsel’s opinion, as presented.

Dr. Jacobs asked the Members’ pleasure with respect to the adoption of the Note Resolution. Mr. Escher moved that the document be approved. Ms. Phillips seconded. The vote was unanimous and the motion carried.

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

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Note Resolution entitled, “A RESOLUTION PROVIDING FOR THE ISSUANCE OF A NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY EQUIPMENT REVENUE NOTE, FITNESSFIRST ORADELL CENTER, L.L.C., SERIES 2007 IN AN AMOUNT EQUAL TO \$1,376,000.”

Dr. Jacobs congratulated FitnessFirst on the sale approval. Mr. Adams noted that the facility opened in January and has been well-received by the community. He thanked the Authority for helping to make it possible.

#### ***TEFRA HEARING AND INFORMATIONAL UPDATE***

##### ***St. Mary’s Hospital - Passaic***

Mr. Hancock reported that St. Mary’s Hospital in Passaic (“St. Mary’s”) is in the process of acquiring the assets of Passaic Beth Israel Regional Medical Center through bankruptcy proceedings. St. Mary’s is planning to fund the acquisition price and transition costs through a number of sources, including the issuance of Authority bonds. The working group, which has been meeting to structure the financing and documents, expects to request sale approvals in early February, if arrangements can be made for a special Authority meeting.

A portion of the acquisition funding can be achieved through one or more series of bonds secured by a contract with the Treasurer, as permitted under the Hospital Asset Transformation Program (“HATP”). HATP is available to St. Mary’s as a result of its plan to terminate

operations at its current facilities, leaving a single hospital in Passaic. As required by the HATP, the bond proceeds will be used to refund the outstanding bonded indebtedness of PBI and St. Mary's, which amounts to approximately \$30 million. Bondholders will be paid if, and only if, the legislature includes the payment in the State's annual appropriations. Under a loan agreement with the Authority, St. Mary's has a responsibility to repay the State to the extent that funds are available.

Additionally, St. Mary's will issue bonds, secured by a mortgage on the PBI facilities and a gross revenues pledge, that will be used to pay the remaining acquisition costs and transition costs needed to move to the PBI facility. These costs include renovations and working capital needed during the consolidation period. The proceeds from this financing may also be used to repay a loan secured by St. Mary's accounts receivable, which may be necessary to generate cash flow for St. Mary's to continue its operations until the PBI acquisition closes. The amount of the Authority bonds issued on St. Mary's credit could amount to between \$20-35 million.

A third, non-Authority, financing will be undertaken to provide additional working capital. This financing will be secured by the current St. Mary's facilities and will be repaid by the sale of those facilities after the move.

Mr. Hancock stated that, as Senior Manager on both the State Contract bonds and the St. Mary's bonds, Merrill Lynch continues to provide significant input in the financing's structure. Merrill Lynch believes that the State Contract bonds will achieve a high "A" category rating based on the State's general obligation "AA" rating. It is further expected that St. Mary's bonds will be unrated due, in part, to the start-up nature of the new operation at the PBI campus.

St. Mary's bonds will be issued through a Limited Public Offering to sophisticated investors. It is hoped that the compiled financial projections to be included in the offering document will generate sufficient investor interest.

Also impacting the bond issuance, the Certificate of Need ("CN") and Charitable Asset Protection Act ("CHAPA") reviews are still in process with final decisions not expected before February 1st.

Mr. Hopkins noted that the Members have agreed to meet on February 8, 2007 for a special meeting to consider the bond sale on behalf of St. Mary's.

This particular St. Mary's update was presented for informational purposes only, therefore, no Authority action was required. Dr. Jacobs then closed the public hearing required by the Tax Reform Act of 1986 regarding the FitnessFirst Oradell Center and the St. Mary's Hospital in Passaic transactions.

## ***NEGOTIATED SALE REQUESTS***

### ***A. Atlantic Health System***

Mark Hopkins reported that Atlantic Health System ("AHS") signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately \$90 million. Approximately \$60 million of the proceeds will be used to refund the callable portion of AHS' 1997A Authority bonds, and the remainder will be used to fund hospital equipment. Additionally, AHS intends to use approximately \$45 million of its cash on hand to defease the non-callable portion of the 1997A bonds. Two series of bonds may be issued, one at a fixed rate and one at a variable rate.

Atlantic Health System is a not-for-profit organization with several subsidiary and affiliated organizations. Among its subsidiaries is AHS Hospital Corporation, which operates

three hospitals: Morristown Memorial Hospital in Morristown, Overlook Hospital in Summit and Mountainside Hospital in Montclair. AHS is in the process of selling Mountainside Hospital to Merit Health System, pending finalization of the terms and legal and regulatory approvals.

AHS has approximately \$332,525,000 worth of Authority bonds outstanding from four separate series issued in 1997, 2003, 2004 and 2006. While the 1997A bonds will be defeased, the three other series will remain outstanding for a total of \$238,575,000. AHS has already defeased series 1997B bonds totaling \$65,400,000.

According to consolidated audited financial statements provided with the Memorandum of Understanding, AHS generated excess revenues over expenses of approximately \$29 million for 2005 and \$43 million for 2004. Unaudited information for the first three quarters of 2006 shows excess revenues over expenses of approximately \$22 million, continuing its recent profitability.

AHS asks that the Authority permit the use of a negotiated sale based on large issue size and the expected use of variable rate debt. Since these are considered under the Authority's policy to be justification for the use of a negotiated sale, staff recommended the consideration of the 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 noted that, after performing a competitive process, AHS selected Goldman Sachs & Co. as Senior Managing Underwriter for the bonds. AHS has also received the Attorney General's approval to have Windels, Marx, Lane & Mittendorf serve as bond counsel on the financing.

Mr. Jackson moved to approve the pursuit of a negotiated sale on behalf of AHS; Mr. Escher seconded. The vote was unanimous and the motion carried.

## **AB RESOLUTION NO. GG-72**

*(attached)*

### ***AHS Swap Identification***

Mr. Hopkins then noted that AHS requests that the Authority adopt a resolution to identify an interest rate hedge (the "Hedge") related to these bonds on the books and records of the Authority. The Hedge will be on a forward basis and may be in the form of an interest rate swap, an interest rate cap or a similar type of agreement.

AHS believes that entering into the Hedge will reduce the risk of an interest rate change. The identification of the Hedge by the Authority, as issuer, will permit the arbitrage calculation to account for the Hedge's effect on the overall interest rate of the bonds.

Treasury regulations require that the Authority's identification of the Hedge be made within three days of the execution of the Hedge Agreement. The resolution would authorize 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 Hedge Agreement as being applicable to the AHS Bonds. Notwithstanding the foregoing, neither the adoption of this Resolution nor the Authority's identification of the Hedge will obligate the Authority to issue the AHS Bonds or to approve the issuance of the AHS Bonds.

Mr. Jackson moved to approve the resolution identifying the AHS swap; Mr. Escher seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. GG-73**

*(attached)*

**B. *AtlantiCare Regional Medical Center***

Mark Hopkins reported that AtlantiCare Regional Medical Center (“AtlantiCare”) signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately \$69.4 million. Approximately \$36 million of the proceeds will refund a portion of the Authority’s 2002 AtlantiCare bonds, and approximately \$33.4 million will fund a 7-story, 204,000 square foot addition and a 23,000 square foot renovation to the existing City Campus facility.

AtlantiCare is a not for profit organization with 590 beds between its two divisions: City Campus located in Atlantic City, and Mainland Campus located in Galloway Township. It is also the sole member of AtlantiCare Behavioral Health. AtlantiCare Regional Medical Center, AtlantiCare Foundation, AtlantiCare Health Plans, AtlantiCare Health Services and InfoShare all combine to form AtlantiCare Health System.

Mr. Hopkins noted that AtlantiCare has approximately \$129,595,000 worth of Authority bonds outstanding from two separate series in 2002 and 2005. Approximately \$35 million of the 2002 bonds will be defeased by these bonds, with roughly \$70 million to remain outstanding. The 2005 bonds totaling \$25 million will also remain outstanding. Four earlier series of bonds issued on AtlantiCare’s behalf have all been since defeased.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, AtlantiCare generated excess revenues over expenses of approximately \$52 million for 2005 and \$60 million for 2004. Unaudited information for the first three quarters of 2006 shows excess revenues over expenses of approximately \$24 million, continuing its recent history of positive results of operations.

AtlantiCare asks that the Authority permit the use of a negotiated sale based on large issue size; and volatile market conditions. Since the Authority’s policy considers these to be justifications for the use of a negotiated sale, staff recommended the consideration of the resolution, included in the meeting materials, approving the use of a negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins noted that AtlantiCare has yet to select a Senior Managing Underwriter or request consideration of bond counsel for the bonds.

Mr. Escher moved to approve the pursuit of a negotiated sale on behalf of AtlantiCare; Mr. Jackson seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. GG-74**

*(attached)*

**C. *Catholic Health East***

Mark Hopkins began by introducing Catholic Health East’s Randy Schultz, Vice President of Capital Strategy & Management, and Dan Davis, Director of Capital Management. Catholic Health East (“CHE”) signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately \$150 million. The proceeds will be used to refund all or a portion of: (i) the 1998B Bonds issued by the Camden County Improvement Authority for Our Lady of Lourdes Medical Center in Camden; (ii) the Authority’s 1998E Bonds issued to finance the acquisition of what is now known as Lourdes Medical Center of Burlington

County; and (iii) the Authority's 2003A Bonds issued to fund capital projects at Our Lady of Lourdes Medical Center in Camden. CHE also expects to be refunding up to approximately \$350 million of bonds previously issued by issuers in other states.

Catholic Health East is a Pennsylvania nonprofit corporation which controls, directly or indirectly, various affiliates that constitute the CHE Health System. The affiliates own, operate or manage health care facilities in eleven states, including general acute care hospitals, long-term care facilities, skilled nursing facilities and behavioral health facilities, with an aggregate of approximately 12,100 beds and 1,900 living units for the elderly. In New Jersey, CHE owns Lourdes Medical Center of Burlington County located in Willingboro, Our Lady of Lourdes Medical Center located in Camden, and St. Francis Medical Center located in Trenton.

Mr. Hopkins explained that the Authority issued a total of \$114,335,000 worth of bonds on behalf of CHE in two separate series in 1999 and 2003. Approximately \$60,690,000 and \$46,705,000 respectively, (totaling \$107,395,000) remain outstanding as of September 30, 2006. The 1998E bonds (issued in 1999) and the 2003A bonds are expected to be defeased by these bonds. The Authority issued \$3.1 million in bonds for St. Francis Medical Center under the 2003 COMP program, of which \$2.5 million remains outstanding. The Authority has issued numerous series of bonds for predecessor entities of CHE, all of which are no longer outstanding or have been defeased.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, CHE generated excess revenues over expenses of approximately \$230.6 million for 2005 and \$218.2 million for 2004. Unaudited information for the first three quarters of 2006 shows excess revenues over expenses of approximately \$141.9 million, continuing its recent history of positive results of operations.

CHE asks that the Authority permit the use of a negotiated sale based on: the large issue size; the complex financing structure, including the simultaneous sale of more than one series of bonds with each series structured differently; and the expected use of variable rate debt. Since these reasons are listed under the Authority's policy as justifications for the use of a negotiated sale, staff recommended the consideration of the 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, CHE selected Merrill Lynch & Co. to serve as Senior Managing Underwriter for the bonds. CHE received the Attorney General's approval to have McManimon & Scotland serve as bond counsel for the financing.

Mr. Hopkins noted that, in Executive Session, the Members discussed a request from CHE to waive the Authority's mortgage requirement due to the unique circumstances that CHE is a multi-state system, and it has an Obligated Group structure including the Parent company, which provides strong security for the bonds yielding strong ratings. Mr. Escher moved to waive the Authority's mortgage requirement with respect to the proposed 2007 CHE bond transaction; Ms. Phillips seconded. The vote was unanimous and the motion carried.

#### **AB RESOLUTION NO. GG-75**

**WHEREAS** Catholic Health East is a unique Authority borrower in the respect that it is a multi-state system with an Obligated Group structure with two ratings in the "A1/A+" category,

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority waives its mortgage requirement in connection with the proposed 2007 bonds to be issued on behalf of Catholic Health East.

Mr. Jackson moved to approve the pursuit of a negotiated sale on behalf of CHE; Ms. Phillips seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. GG-76**

*(attached)*

***CHE Swap Identification***

Mr. Hopkins then noted that CHE requests that the Authority adopt a resolution to identify on the books and records of the Authority an interest rate swap agreement related to these bonds. CHE believes that by entering into the Swap in the near future it will reduce the risk of an interest rate change. The identification of the Swap by the Authority, as issuer, will permit the arbitrage calculation to account for the effect the Swap has on the overall interest rate of the bonds. Treasury regulations require that the Authority's identification of the Swap be made within three days of the execution of the Swap Agreement.

The resolution would authorize 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 as being applicable to the CHE Bonds. Neither the adoption of this Resolution nor the identification of the Swap on the books and records of the Authority obligates the Authority to issue the CHE Bonds or to approve the issuance of the CHE Bonds.

Mr. Escher moved to approve the resolution identifying the CHE swap; Mr. Jackson seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. GG-77**

*(attached)*

***D. Saint Barnabas Health Care System – Clara Maass Medical Center***

Mark Hopkins reported that Clara Maass Medical Center ("Clara Maass") signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to construct a new ambulatory surgery center and pay a portion of the costs of issuance. With costs of issuance and other costs, Clara Maass seeks to finance a total of approximately \$2,000,000 through the Authority.

Mr. Hopkins described Clara Maass as a New Jersey not-for-profit corporation wholly owned by Saint Barnabas Corporation, a not-for-profit holding company doing business under the name of Saint Barnabas Health Care System. Clara Maass operates acute care hospitals on two campuses, Belleville and Kearny. It also owns and operates two continuing care centers in Kearny and one in Belleville, as well as Jersey Home Health Care, a licensed home health care agency. Saint Barnabas Health Care System is the sole corporate member or sole shareholder of numerous affiliated organizations and subsidiaries including six other acute care hospitals, nine long-term nursing facilities, two assisted living facilities, several ambulatory care centers, four home care agencies, the SBHCS Foundation and affiliated foundations, as well as entities that

provide pharmacies, biomedical engineering services, security and protection services, pharmaceutical purchasing services and corporate functions.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, Saint Barnabas Health Care System generated a deficiency of revenues over expenses of approximately \$204.7 million for 2005 and excess revenues over expenses of \$30.9 million for 2004. The deficiency in 2005 includes a \$204.5 million Medicare settlement write down and \$20.5 in closure costs for affiliated hospitals. Clara Maass' individual unaudited information for the first nine months of 2006 shows a deficiency in revenues over expenses of approximately \$480,000.

Clara Maass intends to place the bonds with a New Jersey limited liability company that is owned primarily by physicians on the Clara Maass Medical Center Staff, and to a limited extent by two affiliates of Clara Maass. This type of private placement of bonds primarily with an entity consisting of physicians on staff is commonly referred to as a Participating Bonds Transaction. This sale structure will save Clara Maass underwriting and/or placement agent fees, but more importantly, it will align the interests of Clara Maass with its physicians who bring in their patients.

Clara Maass asks that the Authority permit the use of a negotiated private placement based on the sale of a complex or poor credit and the use of programs or financial techniques that are new to investors. Since these are justifications for the use of a negotiated private placement, staff recommended the consideration of the resolution approving the use of a negotiated private placement and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins added that the limited liability company with whom Clara Maass expects to place the bonds has yet to be named, however, Saint Barnabas researched several law firms from the Authority's qualified list and received the Attorney General's approval to have the firm of Windels, Marx, Lane & Mittendorf serve as bond counsel.

Mr. Jackson asked if the Authority has any experience with Participating Bonds Transactions, to which Gary Walsh, bond counsel for the proposed transaction, stated that while the Authority has never closed on this type of transaction, this structure was considered and worked with by Authority staff for an earlier transaction on behalf of Monmouth Medical Center. Also, several transactions of this nature have already occurred in other states. Mr. Walsh explained that the physicians who formed the LLC would each have equity in the project. Interest is paid out in proportion to that equity and the physicians are able to claim tax exempt status on that interest. Cliff Rones noted that, in terms of security, the Authority would treat this transaction as a private placement, however, going one step beyond by obtaining a traveling investors letter, not just from the LLC, but also from each of the participating physicians.

Dr. Cohen asked about the rates for the transaction, to which Mr. Walsh replied that the rates would be set by an independent financial advisor who would also provide a market opinion. The financial advisor will likely be selected through a Request for Proposals issued by the borrower. Mr. Hancock added that the Authority will be able to better predict the rates by the time at which the Members will be asked to approve the contingent bond sale. He did note, however, that a transaction such as this would likely carry a higher interest rate than most of the Authority's transactions since the bonds will provide investors with security subordinate to the security provided to other investors. Mr. Walsh added that debt service payments on the bonds would be conditional upon certain circumstances and, therefore, there is a chance that the bonds may not be repaid on time.

Mr. Escher moved to approve the pursuit of a negotiated sale on behalf of Clara Maass Medical Center; Ms. Phillips seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. GG-78**

*(attached)*

***AUTHORIZATION FOR THE IDENTIFICATION OF A SWAP AGREEMENT***

***A. Saint Peter's University Hospital***

Ms. Walton reminded the Members that, at the November Authority Meeting, Saint Peter's University Hospital received approval to pursue a negotiated sale of bonds during 2007 to fund a proposed \$43 million construction and renovation project. The financing team is currently structuring this issue and anticipates coming back to the Members within two months for contingent sale approval.

Similar to the AHS request presented earlier by Mr. Hopkins, Saint Peter's University Hospital requests that the Authority identify, for tax purposes, an interest rate agreement (which may be an interest rate swap, an interest rate cap or such similar type arrangement) on a forward basis to hedge against any variability in interest rates that may occur prior to the authorization of a contingent bond sale. Tax regulations require that this Hedge Agreement be identified within three days of its execution, not the effective date.

Staff recommended the Members approve a resolution authorizing an "Authorized Officer" to execute the documents needed to identify the hedge agreement as being applicable to the 2007 bond issue so that the three-day window requirement can be met. The adoption of this Resolution does not obligate the Authority to approve Saint Peter's University Hospital's contingent sale of bonds at this time.

Mr. Jackson offered this motion to authorize the execution of documents needed to identify Saint Peter's University Hospital's hedge agreement; Mr. Escher seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. GG-79**

*(attached)*

***B. Society of the Valley Hospital***

Bob Day introduced Joseph Marion, Society of the Valley Hospital's Chairman of the Finance Committee. Society of the Valley Hospital ("Society of the Valley") also requests the Authority's identification of a hedging agreement or agreements as being applicable to anticipated 2010 bonds to be issued on behalf of Society of the Valley. The risks of the forward swap or swaps are entirely borne by Society of the Valley. The Attorney General's office reviewed this action and has no objection to the Authority's consideration of this matter. Staff, therefore, recommended that the Members approve the resolution identifying the swap as requested.

Mr. Escher offered this motion to permit the identification of one or more hedging agreements for The Society of the Valley Hospital; Ms. Phillips seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. GG-80**  
*(attached)*

***SELF-INSURANCE REQUEST***

***St. Joseph's Regional Medical Center***

Susan Tonry began by introducing Jack Robinson (Chief Financial Officer of St. Joseph's Regional Medical Center), Marian Speid (Risk Management of Saint Joseph's), and John Lochner (from Towers Perrin Tillinghast).

St. Joseph's Regional Medical Center ("St. Joseph's") currently purchases first dollar insurance from Princeton Insurance Company ("Princeton") for: general liability in the amount of \$1 million per occurrence with a \$1 million aggregate; hospital professional liability in the amount of \$1 million per occurrence with a \$3 million aggregate; and master physician policies with limits of \$5 million per occurrence with a \$7 million aggregate covering employed physicians. In addition to these policies, St. Joseph's purchases a separate policy for St. Vincent's Nursing Home, an operating division of St. Joseph's, in the amount of \$1 million per occurrence with a \$3 million aggregate. This separate policy need was driven by Princeton many years ago when they insisted that this exposure be addressed separately. In addition to this primary coverage, the hospital has maintained a self-insured trust since 2004 for the first layer of excess insurance with retentions of \$4 million per occurrence and a \$7 million aggregate. Lexington Insurance Company provides an additional \$15 million in excess coverage.

Ms. Tonry stated that, due to the complexity and high cost of the current insurance structure, St. Joseph's would like to simplify and consolidate their many policies. Given that Princeton Insurance Company lost their AM Best Rating, coupled with the fact that there are no other markets writing this coverage for a hospital of St. Joseph's size, St. Joseph's would like to assume the primary layer of general and professional liability for both St. Joseph's and St. Vincent's Nursing Home within SJHS Insurance Limited, a wholly-owned captive insurance company domiciled in Bermuda. The captive would insure the general and professional liability retaining \$1 million per occurrence with a \$3 million aggregate, and will be fully funded at the 95% confidence level. (\$3,000,000)

The proposed funding level satisfies both the Authority's and Bermuda's funding requirements. The self insurance trust would remain intact as a first layer of excess insurance. It is the intention of St. Joseph's to secure a commercial excess policy (or policies) for amounts not less than the existing \$15 million policy and as high as \$25 million. St. Joseph's has estimated the savings on insurance premiums to be approximately \$2.6 million annually with this new structure.

Ms. Tonry stated that St. Joseph's agrees to comply with the Authority's requirement regarding self-insurance programs, including the continued annual rating of their captive beginning with the captive's first fiscal year end.

Dr. Cohen asked about St. Joseph's' claims history, to which Ms. Speid replied that the largest claim made to date was in 1991 for \$9 million. Aside from that year, the claims have never totaled more than \$4 million for a given year.

Mr. Escher offered a motion to approve St. Joseph's Regional Medical Center's use of the proposed self-insurance structure; Mr. Jackson seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. GG-81**

**NOW, THEREFORE, BE IT RESOLVED**, that, the Authority approves the use of the proposed self-insurance program on behalf of St. Joseph's Regional Medical Center; and,

**BE IT FURTHER RESOLVED**, that, such approval is conditioned upon compliance with the Authority's reporting requirements for captive and/or self-insurance programs, as the requirements are presently incorporated in the Authority's loan agreements, including the obligation to maintain a required rating, as stated in the attached "AMENDMENT TO ALL RESOLUTIONS IN WHICH THE AUTHORITY APPROVES A BORROWER'S REQUEST TO USE A SELF-INSURANCE/CAPTIVE PROGRAM, THUS MANDATING COMPLIANCE WITH NJHCFFA REPORTING REQUIREMENTS".

***STATE LONG TERM CARE INSURANCE PLAN***

Robin Piotrowski reported to the Members that The State of New Jersey expanded the eligibility of its Public Employee Long Term Care Insurance Plan to include local employers. The State has offered this plan, underwritten by The Prudential Insurance Company of America, to its employees since 2002. Most New Jersey local public sector employers now have the opportunity to offer this same Public Employee Long Term Care Insurance Plan to their active and retired employees at the State's group rate. The Authority has the option to offer it as well.

Enrollment in the Plan would be voluntary for the Authority's active full-time, part-time, and retired employees, as well as their qualified family members. The full cost of the plan would be paid for by the employees and their family members, with no cost to the Authority.

Since the plan could benefit Authority employees with no cost to the Authority, Ms. Piotrowski recommended, on behalf of staff, that the Members approve a resolution authorizing the State's Long Term Care Insurance Plan for Authority employees.

Mr. Escher offered a motion to permit the Authority's participation in the State's Public Employee Long Term Care Insurance Plan; Ms. Phillips seconded. Upon confirmation that Prudential would be underwriting the Plan, Mr. Jackson recused himself; he did not participate in the discussion nor did he vote. Dr. Jacobs voted yes; Mr. Escher voted yes; Dr. Cohen voted yes; Ms. Kralik voted yes; and Ms. Phillips voted yes. The motion carried.

**AB RESOLUTION NO. GG-82**

*(attached)*

***AUTHORITY EXPENSES***

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

### **AB RESOLUTION NO. GG-83**

**WHEREAS**, the Authority has reviewed memoranda dated January 25, 2007, 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 \$683,553.97, \$111,102.36 and \$27,340.47 respectively, and has found such expenses to be appropriate;

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

### ***STAFF REPORTS***

Dr. Jacobs thanked staff for their preparation of reports that were distributed for review, including the Project Development Summary, Cash Flow Statement, Year-Ed Budget Report, and a Legislative Advisory.

Steve Fillebrown presented the Authority's Third Quarter APOLLO Report, noting his observations based on the recently compiled data for the third quarter of 2006. Falling for the second quarter in a row, the state median operating margin is now below breakeven at -.05%. One year earlier, the operating margin was .47%. While the median profit margin for third quarter of 2006 increased from the second quarter to 1.12%, this likely reflects improved investment earnings and is still slightly below that of the third quarter of 2005.

Liquidity measures weakened as a whole. Median days cash plunged 10 days down to 66. Both median days in accounts payables and days in accounts receivable increased by three to 62 days and 52 days, respectively.

Leverage ratios showed mixed results. While the third quarter of 2006 shows a higher debt to capitalization than the second quarter of 2006, it is still slightly better than the debt to capitalization of the third quarter of 2005. Though the median debt service coverage of 2.47 was slightly higher than in the second quarter of 2006, it decreased overall from one year prior. Also, debt to net fixed assets improved slightly from the second quarter 2006, but remained stable when compared to the third quarter of 2005. Cash to debt was lower in this most recent APOLLO than both second quarter 2006 and third quarter 2005 levels.

Mr. Fillebrown noted that, looking beyond the medians, 29 hospitals incurred bottom line losses in the third quarter of 2006 compared to 23 in 2005. Further, 33 hospitals, which make up 51%, lost money from operations in this period, compared to 28 in the year prior. Of these 33 hospitals, 19 had fewer inpatient admissions than one year earlier. Though these volume declines continue to trouble hospitals, they are not the only distressing factor; revenue cycle management and wage issues are also affecting operating performance.

Mr. Fillebrown added that the pronounced differences in financial performance between various peer groups continued in the third quarter of 2006. Financial performance seems closely correlated with location (hospitals in the southern half of New Jersey are financially stronger) and income status (the higher the per capita income of the patient base, the better the financial results). While differences based on bed size are not as consistent as before, medians for large hospitals are still clearly stronger than for mid-sized and small hospitals.

Mr. Hopkins then announced the following items in his Executive Director's Report:

1. In hospital news, Fitch Ratings upgraded Children's Specialized Hospital from "BBB-" to "BBB". Its outlook remains stable. Also, Daniel A. Kane was named as the interim President and CEO of Bridge Regional Health System, which is the recently formed parent of Bayonne Medical Center. He will start on February 5th. Mr. Kane was previously President and CEO at Nassau Health Care Corporation and Englewood Hospital & Medical Center. On January 1st, Bridge Regional Health System completed the acquisition of St. Vincent's Staten Island and changed the facility's name to Richmond University Medical Center. In his capacity, Mr. Kane will also be overseeing Richmond University Medical Center.
2. In Authority staff news, Jim Van Wart celebrated his 15th anniversary with the Authority this month. Also, the Authority issued approximately \$814 million in bonds during 2006 on behalf of 15 borrowers (five of which were COMP borrowers).
3. St. Ives/Burrups, the Authority's current financial printer for official statements was acquired by Bowne. The Authority's professional contacts there are expected to remain the same.
4. St. Peter's University Hospital selected Goldman Sachs to replace Ryan Beck as Senior Managing Underwriter, since Ryan Beck recently closed its municipal underwriting division.
5. The Consumer Price Index for all Urban Consumers in both the New York and Philadelphia areas increased by 3.3% from December 2005 to December 2006. During the adoption of the 2007 budget, Members agreed that the Authority would raise the cap upon which it collects its annual fee based on the increase in the average Consumer Price Index of New York and Philadelphia, rounded down to the nearest million. Therefore, the maximum principal amount of bonds upon which the Authority will collect its annual fee increased from \$80,000,000 to \$82,000,000.
6. An Authority Member retreat is in order to discuss the general operations of the Authority and reexamine several specific policies. Senior Staff believes a retreat can be prepared by the first week in June of this year. Staff would like to know the availability of all Authority Members that week in order to set a date. The retreat is expected to take at least one full day.
7. Dennis Hancock, Steve Fillebrown, Jim Van Wart, Sue Tonry and Mark Hopkins met with Betsy Ryan and other representatives of the New Jersey Hospital Association to discuss the Authority's requirement for an A.M. Best rating on captive insurance companies and self insurance trusts. NJHA presented an alternative that will be discussed at the Authority retreat.

Mr. Hopkins also noted that, during Executive Session, Members discussed having senior staff's first floor parking spaces in the garage paid for by the Authority, ongoing for 2007 and beyond. A motion was made by Mr. Jackson to permit the Authority to pay for these spaces; Mr. Escher seconded. The vote was unanimous and the motion carried.

#### **AB RESOLUTION NO. GG-83**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby authorizes the execution of an Authority check, and the payment thereof, to pay for first floor parking spaces in the parking garage on behalf of senior staff, for 2007 and ongoing thereafter.

As there was no further business to be addressed, Mr. Jackson moved to adjourn the meeting, Mr. Escher seconded. The vote was unanimous, and the motion carried at 12:05 p.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 JANUARY 25, 2007.

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Dennis Hancock  
Assistant Secretary

**EXECUTIVE SESSION  
AUTHORITY MEETING**

**ATTENDEES:** Fred M. Jacobs, Commissioner of Health and Senior Services (Chairman); Gus Escher, Public Member; Moshe Cohen, Public Member (on the telephone); Thom Jackson, Public Member; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Freida Phillips, Designee of the Commissioner of Human Services; and, Edward Tetelman, Designee of the Commissioner of Health and Senior Services; Mark Hopkins, Dennis Hancock, Jim Van Wart, staff; Sharon Price-Cates, Governor's Authorities Unit; Thomas Papa, Treasury; and, Clifford T. Roncs, Deputy Attorney General.

**CONTRACTUAL MATTERS & ADVICE FROM THE ATTORNEY GENERAL'S OFFICE:**

Members discussed waiving the Authority's requirement regarding a mortgage retention as security at the request of Catholic Health East. Members also discussed St. Mary's Hospital of Passaic and special considerations that may be necessary for its proposed 2007 transaction.

**PERSONNEL MATTERS:**

Members discussed permitting the Authority to pay for senior staff's first floor parking spaces on an ongoing basis.

Following this discussion, a motion was made and seconded to exit the session. The vote was unanimous, and the motion carried.

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NEW JERSEY HEALTH CARE FACILITIES  
FINANCING AUTHORITY

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NOTE RESOLUTION

Adopted: January 25, 2007

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\$1,376,000 Equipment Revenue Note  
FitnessFirst Oradell Center, L.L.C., Series 2007

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## **NOTE RESOLUTION**

A RESOLUTION PROVIDING FOR THE ISSUANCE OF A NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY EQUIPMENT REVENUE NOTE, FITNESSFIRST ORADELL CENTER, L.L.C., SERIES 2007 IN AN AMOUNT EQUAL TO \$1,376,000

**WHEREAS**, 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.) 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**, in order to carry out its authorized purposes, by providing funds for the acquisition of equipment by health care facilities, used or useful in connection with the provision of health care services or in the operation of health care facilities, the Authority deems it necessary to borrow money from time to time and to evidence such borrowings by the issuance of its notes and to secure the payment of the principal thereof and the interest and premium, if any, thereon and the performance and observance of the covenants and conditions herein contained; 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, on December 8, 1994 and March 28, 1996 the Authority adopted and amended 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, on November 21, 2006, the Authority reapproved the use of negotiated private placements for financings done through the Equipment Revenue Note Program of which the Project is a part; and

**WHEREAS**, the Authority deems it necessary and in keeping with its purposes to issue the Note herein authorized for the purpose of lending the Borrower funds sufficient to pay the costs of the Project, as such terms are defined herein.

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

### **ARTICLE I**

#### **DEFINITIONS AND BOND CONTRACT**

Section 1.1 Definitions. As used in this Note Resolution (except as otherwise expressly, provided or unless the context otherwise requires) the following terms shall have the meaning specified below:

“Act” means the New Jersey Health Care Facilities Authority Law, P.L. 1972, c. 29 (N.J.S.A. 26:2I-1 et seq.), as the same may from time to time be amended.

“Agreement” means the Master Financing Agreement and Schedule 1 incorporating such terms as executed among the Authority, the Borrower and the Purchaser in connection with the Note and loan authorized herein.

“Annual Administrative Fee” means the annual fee for the general administrative services of the Authority. The Annual Administrative Fee shall be subject to change at the discretion of the Authority.

“Authority” means the New Jersey Health Care Facilities Financing Authority, a public body corporate and politic, with corporate succession, constituting a political subdivision of the State of New Jersey created by the Act.

“Authorized Officers” means: (i) in the case of the Authority, the Chairman, Vice Chairman, Secretary, Treasurer, Assistant Secretary, Assistant Treasurer, Executive Director or Deputy Executive Director, and when used with reference to any act or document also means any other person authorized by resolution of the Authority to perform such act or execute such documents; and (ii) in the case of the Borrower, means the person or persons authorized by resolution of the Borrower, to perform any act or execute any document.

“Borrower” means FitnessFirst Oradell Center, L.L.C., Oradell, New Jersey, a “health care organization” as such term is defined in the Act, organized and existing under and by virtue of the laws of the State of New Jersey.

“Cost” or “Costs” in connection with the Project (or repairs or replacements thereof), means costs incurred or estimated to be incurred by the Authority or the Borrower which are reasonable and necessary for carrying out all works and undertakings in providing and installing all equipment for the Project (or the repair or replacement thereof), the installation of the Project, the cost of necessary studies, surveys, plans and specifications, architectural, engineering, legal or other special services, development, construction and reconstruction necessary or useful in connection with the installation of the Project, the reasonable costs of financing incurred by the Borrower or the Authority in the course of the development of the Project, the reasonable costs of issuance incurred by the Authority or the Borrower in the course of the issuance of the Note, the fees imposed upon the Borrower by the New Jersey State Commissioner of Health and by the Authority, and the costs of such other items as may be reasonable and necessary for the development of the Project.

“Master Financing Agreement” means the Master Financing agreement among Banc of America Public Capital Corp, New Jersey Health Care Facilities Financing Authority and FitnessFirst Oradell Center, L.L.C.

“Master Financing Agreement Terms” means the Master Financing Agreement Terms approved by resolution of the Authority on January 25, 2007 in connection with equipment loans to be made to the Borrower by the Authority.

“Note” means the \$1,376,000 Equipment Revenue Note, FitnessFirst Oradell Center, L.L.C., Series 2007 issued by the Authority in connection with the Project.

“Noteholder” means the purchaser of the Note and any subsequent registered owner of the Note.

“Project” means the acquisition and installation by the Borrower of exercise equipment and other types of equipment used in the Borrower’s operation of its medically based fitness and wellness center as described in Section 2.1 hereof.

“Resolution” means this Note Resolution as the same may, from time to time, be amended or supplemented.

Words importing persons include firms, associations and corporations, and words importing the singular number include the plural number and vice versa.

The words “hereof”, “herein”, “hereto”, “hereby” and “hereunder” (except in the form of the Note) refer to the entire Resolution.

Section 1.2 Resolution and Note Constitute a Contract. This Resolution shall be deemed to be and shall constitute a contract between the Authority and the Noteholder. The Authority, as security for the payment of the Note and the interest thereon and as security for the performance of any other obligation of the Authority under the Resolution all in accordance with the provisions hereof, does hereby, grant a security interest in and further does grant, bargain, sell, convey, pledge, assign and confirm to the Noteholder, all its right, title and interest in and to the Agreement, and all amounts payable thereunder (except for amounts payable to the Authority pursuant to Sections 5.05 and 11.03(a) thereof), and all of its interest in the Project. The Note shall be a special obligation of the Authority payable solely from and secured by a pledge of the amounts payable by the Borrower under the Agreement.

## ARTICLE II

### **AUTHORIZATION OF PROJECT, NOTE AND DETAILS OF NOTE**

Section 2.1 The Project. The Authority hereby declares the Project to be an authorized undertaking of the Authority and authorizes and directs an Authorized Officer to execute and deliver all documents necessary to enable the Authority, as permitted by Article 9 of the Act, to lend the Borrower sufficient funds to pay the Costs of the Project.

Section 2.2 Authorization of Note. The Authority hereby authorizes the issuance of the Note in substantially the form attached hereto for the purpose of making a loan to the Borrower to pay “project costs” (as such term is defined in the Act).

The Note shall be sold to the Noteholder at the par value thereof, subject to the terms set forth herein, and subject to all requirements of the Act.

The Note shall be issued prior to the close of business on or prior to April 30, 2007 as a single Note in fully registered form in the amount of \$1,376,000, registered in the name of a single Noteholder at all times upon registration books of the Authority kept at the office of the Authority, shall be dated the date of delivery thereof and bear interest from the date thereof at the rate equal to 3.92 percent per annum computed on the basis of a 360-day year of 12 30-day

months, and, if not sooner paid, shall mature on the date that is not later than sixty (60) months following the date of issuance thereof.

Any Authorized Officer of the Authority is hereby authorized to take all steps necessary to sell the Note to Banc of America Public Capital Corp. In connection with the sale of the Note, any Authorized Officer of the Authority is hereby authorized to accept on behalf of the Authority the Investor Letter from the Purchaser in substantially the form attached hereto as Exhibit B, such acceptance of the Investor Letter to be evidenced by such officer's execution of such Investor Letter on the date of the sale of the Note.

The Note shall be payable in consecutive monthly installments of principal and interest, commencing in the month following the closing on the Note and payable on the first day of each month thereafter until and including the selected maturity date.

The Note shall be subject to prepayment as set forth in the form of Note appearing as an appendix to the Master Financing Agreement Terms.

Payment of the principal of and interest on the Note shall be made by check or draft mailed to the registered owner at its address as shown on the registration books kept by the Authority.

Section 2.3 Execution. The Note shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of its Chairman or Vice Chairman and its corporate seal (or a facsimile thereof) shall be thereunto affixed, printed, engraved or otherwise reproduced and attested by the manual or facsimile signature of the Secretary, Treasurer, Assistant Secretary or Assistant Treasurer of the Authority.

Section 2.4 Form of Note. The Note shall be typewritten, in substantially the form attached hereto as Exhibit A.

Section 2.5 Delivery of Note. Following execution of the Note, an Authorized Officer of the Authority is hereby authorized to deliver the Note to the Noteholder, against receipt of the purchase price for the Note.

Section 2.6 Approval of Master Financing Agreement Terms. The Master Financing Agreement Terms, including Schedule 1 included in Exhibit A thereto which incorporates such terms in connection with the loan authorized herein (collectively the "Agreement") (a copy of which shall be filed with the records of the Authority) is hereby approved and the Chairman, Vice-Chairman or Executive Director is hereby authorized to accept, execute, acknowledge and deliver to the Borrower, and the Secretary or Assistant Secretary is hereby authorized to affix and attest the seal of the Authority to all appropriate documents, with such changes therein as counsel may advise and the officers executing the same may approve, their approval to be evidenced by their execution thereof.

### **ARTICLE III**

#### **APPLICATION OF NOTE PROCEEDS**

Section 3.1 Application of Note Proceeds. The principal amount of the Note shall be advanced in full by the Noteholder upon receipt of the Note from the Authority. Upon the receipt of the proceeds of the Note, such proceeds shall be applied in accordance with the Master Financing Agreement.

#### **ARTICLE IV**

##### **REVENUES**

Section 4.1 Revenues. The revenues derived by the Authority pursuant to the Master Financing Agreement (except for the amounts payable to the Authority pursuant to Sections 5.05 and 11.03(a) of the Master Financing Agreement) shall be paid directly to the Noteholder which shall apply the same to the payment of the principal of and interest on the Note when due. Such amounts shall be credited as a repayment of the loan made to the Borrower pursuant to the Master Financing Agreement. The Noteholder shall provide evidence of such payments by issuing a quarterly statement of accounts to the Authority and the Borrower, as further required under the Master Financing Agreement.

#### **ARTICLE V**

##### **MISCELLANEOUS**

Section 5.1 Payments on Saturdays, Sundays and Holidays. Whenever the date fixed for the payment of the principal of or the interest on the Note falls on a Saturday, Sunday, legal holiday or other day on which banking institutions in the city of payment are authorized by law to close, then the payment of principal or interest need not be made on such date, but shall be made on the next succeeding regular business day with the same force and effect as if made on the date fixed, and no interest shall accrue on such payment to the date payment is made.

Section 5.2 Incidental Action. The Authorized Officers of the Authority are hereby authorized and directed to execute and deliver such other documents and to take such other action as may be necessary or appropriate in order to effectuate the execution and delivery of the Agreement and the issuance and sale of the Note, all in accordance with the foregoing sections hereof.

Section 5.3 Effective Date. This Resolution shall take effect ten 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 such earlier time as the Governor signs a statement of approval, all in accordance with subsection (i) of Section 4 of the Act.

**EXHIBIT A**

**Form of Note**

No. R-\_\_

**\$1,376,000**

**THE OWNERSHIP AND TRANSFER OF THIS NOTE  
ARE RESTRICTED AS DESCRIBED HEREIN**

**UNITED STATES OF AMERICA  
NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY  
EQUIPMENT REVENUE NOTE  
FITNESSFIRST ORADELL CENTER, L.L.C.  
SERIES 2007**

**Registered Owner: BANC OF AMERICA PUBLIC CAPITAL CORP**

**Principal Sum: ONE MILLION THREE HUNDRED SEVENTY-SIX THOUSAND  
DOLLARS**

The New Jersey Health Care Facilities Financing Authority (the "Issuer"), a body politic and corporate and a public instrumentality organized and existing under the laws of the State of New Jersey, for value received, hereby promises to pay to the Registered Owner named above or registered assigns or legal representatives, but only from the sources hereinafter described, the Principal Sum shown above on the dates and in the amounts hereafter provided, unless and except as paid prior thereto, together with interest thereon on the principal balance hereof from time to time remaining unpaid, from the date hereof to the date of maturity or earlier payment of this Note at the rate of 3.92% per annum, or the Gross-Up Rate (as defined in the Master Financing Agreement), if applicable, such interest being payable on \_\_\_\_\_, 2007, and on the first day of each month thereafter until fully paid. Interest shall be computed on the basis of a year of 360 days and twelve 30-day months.

The principal amount of this Note shall be paid in monthly installments on the first day of each month in the amounts as set forth in Exhibit 1 hereto, subject to credit upon such installments all in accordance with the Master Financing Agreement and the terms and conditions therein provided.

This Note is a duly authorized Note of the Issuer designated New Jersey Health Care Facilities Financing Authority Equipment Revenue Note, FitnessFirst Oradell Center L.L.C., Series 2007 (the "Note"), issued under and pursuant to the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29 (N.J.S.A. 26:2I-1 et. seq.), as from time to time amended (the "Act"), and under and pursuant to a Master Financing Agreement dated as of February 1, 2007 (the "Master Financing Agreement") among the Issuer, FitnessFirst Oradell Center L.L.C., a New

Jersey limited liability company (the "Borrower"), and Banc of America Public Capital Corp (together with its successors and assignees, the "Purchaser") and Schedule No. 1 thereto dated as of February 1, 2007 ("Schedule No. 1"). The Note is issued for the purpose of making a loan (the "Loan") to the Borrower, to pay, together with other available funds of the Borrower, the cost of acquiring, constructing and equipping certain equipment of the Borrower, and costs of issuing the Note, pursuant to the Agreement.

The Borrower has pledged to repay the Loan in amounts and at times fully sufficient to enable the Issuer to pay the principal of and interest on this Note as the same become due. To secure repayment of the Loan and performance of its other obligations under the Master Financing Agreement, the Borrower has granted to the Issuer a security interest in the Equipment (as defined in the Master Financing Agreement), all as provided in and subject to the terms, limitations, conditions and exceptions specified in the Master Financing Agreement. The Issuer has pledged the repayments of the Loan and the aforesaid security therefor to secure payment of the principal of and the interest on this Note.

This Note is subject to prepayment, under Section 10.01 of the Master Financing Agreement and Paragraph 10(a) of Schedule No. 1, at the option of Borrower, or under the circumstances described in Article VIII or 11.03(b) of the Master Financing Agreement on the due date of any monthly payment or as otherwise provided in the applicable section of the Master Financing Agreement in whole upon 30 days prior written notice, at a prepayment price equal to the principal amount to be prepaid, plus the prepayment premium, if any, described in Schedule No. 1. This Note is also subject to mandatory prepayment, in whole, at the prepayment price described in Schedule No. 1, at the direction of the Purchaser pursuant to Section 10.03 of the Master Financing Agreement, in the event that substantially all of the assets of the Borrower are acquired by another entity.

THIS NOTE AND THE INTEREST THEREON ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY OUT OF PAYMENTS DERIVED BY THE ISSUER UNDER THE MASTER FINANCING AGREEMENT AND ARE SECURED BY A PLEDGE AND ASSIGNMENT OF SUCH PAYMENTS AS PROVIDED IN THE MASTER FINANCING AGREEMENT. THIS NOTE SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NOT CONSTITUTE A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED FOR IN THE MASTER FINANCING AGREEMENT. THE ISSUANCE OF THIS NOTE SHALL NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE STATE SHALL NOT IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THIS NOTE OR FOR THE PERFORMANCE OF ANY PLEDGE, SECURITY INTEREST, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER WHICH MAY BE UNDERTAKEN BY THE ISSUER. NO BREACH BY THE ISSUER OF ANY SUCH PLEDGE, SECURITY INTEREST,

OBLIGATION OR AGREEMENT MAY IMPOSE ANY LIABILITY, PECUNIARY OR OTHERWISE, UPON THE STATE OR ANY CHARGE UPON ITS GENERAL CREDIT OR ITS TAXING POWER. THE ISSUER HAS NO TAXING POWER.

Whenever the date fixed for the payment of the principal of or the interest on this Note falls on a Saturday, Sunday, legal holiday or other day on which banking institutions in the city of payment are authorized by law to close, then the payment of principal or interest need not be made on such date, but shall be made on the next succeeding regular business day with the same force and effect as if made on the date fixed, and no interest shall accrue on such payment to the date payment is made.

The Issuer shall be in default hereunder upon: (i) the nonpayment of any installment of the principal of or interest on this Note when due, or (ii) the occurrence of any other Event of Default under the Master Financing Agreement.

In the event of such default hereunder, the registered owner hereof shall have the following rights or remedies: (i) to immediately declare the entire unpaid amount of the principal of this Note immediately due and payable in full without notice to or demand on the Issuer of any kind and without presentation, demand or protest, all of which are hereby waived; (ii) the registered owner may at its option exercise from time to time any and all rights and remedies available to it as the Issuer's assignee under the Master Financing Agreement. No failure of the registered owner hereof to exercise any right hereunder shall be construed as a waiver of the right to exercise the same or any other right at any other time.

In addition to all other rights possessed by it, the registered owner hereof shall have the following rights, each of which may be exercised at any time: (i) to notify the Borrower or any other persons obligated under the Master Financing Agreement to make payment to the registered owner of this Note any amounts due or to become due thereon; and (ii) to apply any amounts received under or pursuant to the Master Financing Agreement against the principal of and interest on this Note.

This Note is a fully-registered Note issued without option of conversion into a Note or Notes of any other form or denomination except upon transfer as stated below. This Note may be transferred only in the manner and on the terms and conditions stated in the Master Financing Agreement.

This Note is transferable, as provided in the Master Financing Agreement, only upon the Note Register upon surrender of this Note to the Issuer accompanied by (i) an assignment in substantially the form attached to this Note duly executed by the registered owner hereof or his authorized attorney or legal representative, (ii) a copy of a notice of assignment sent to the Borrower identifying the name, address and tax identification number of the transferee and (iii) an investor letter in the form specified in the Master Financing Agreement. The Issuer and the Borrower may deem and treat the person in whose name this Note is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

No recourse shall be had for the payment of the principal of or interest on this Note, or for any claim based hereon or on the Master Financing Agreement against any member, officer or employee, past, present or future, of the Issuer or of any successor body as such, either, directly or through the Issuer under any constitutional provision, statute or rule of law, or by the enforcement of any assessment, or by any legal or equitable proceeding or otherwise.

It is hereby certified that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Note, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of New Jersey.

**IN WITNESS WHEREOF**, the New Jersey Health Care Facilities Financing Authority has caused this Note to be executed in its name by the signature of its Chairman or Vice Chairman and its corporate seal to be affixed hereto and attested by the signature of its Secretary or Assistant Secretary.

NEW JERSEY HEALTH CARE  
FACILITIES FINANCING AUTHORITY

[SEAL]

[ATTEST]

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Chairman

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Assistant Secretary

Dated: \_\_\_\_\_, 20\_\_.

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**FORM OF ASSIGNMENT**

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (please print or type name and address of transferee) the within Note and all rights thereunder, and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_ Signed: \_\_\_\_\_

In the presence of: \_\_\_\_\_

Notice: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever. When assignment is made by a guardian, trustee, executor or administrator, an officer of a corporation, or anyone in a representative capacity, proof of his authority to act must accompany the Note.

Signature Guaranteed:

\_\_\_\_\_

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**EXHIBIT 1 TO FORM OF NOTE**

**AMORTIZATION SCHEDULE**

**EXHIBIT B**

INVESTOR LETTER

Date

New Jersey Health Care Facilities  
Financing Authority  
Station Plaza, Building 4  
22 South Clinton Avenue  
TRENTON, NEW JERSEY 08625-0366

Ladies and Gentlemen:

In connection with the purchase of \$1,376,000 principal amount of New Jersey Health Care Facilities Financing Authority Equipment Revenue Note, FitnessFirst Oradell Center, L.L.C. Series 2007 (the "Note") issued pursuant to the Note Resolution adopted by the Authority on January 25, 2007 (the "Resolution"), the undersigned (the "Initial Purchaser") certifies as set forth below. Capitalized terms used herein, unless otherwise defined, will have the meanings, as set forth in the Resolution.

- (a) It is a national bank, commercial bank or registered investment company under the Investment Company Act of 1940, as amended, or an accredited investor under the Securities Act of 1933, as amended (the "Securities Act").
- (b) It is purchasing the Note for its own account and not with a view toward distributing or reselling any of the Note, provided nevertheless that it may at any time in its sole discretion and control sell some or all of the Note. It will comply with all applicable federal and state securities laws in connection with any subsequent resale of the Note. It acknowledges that the Note has not been and will not be registered under the Securities Act. It will require each subsequent purchaser of the Note to provide a letter to the Authority in substantially the same form as this letter.
- (c) It has received copies of the Resolution, Master Financing Agreement, the Tax Compliance Agreement, as well as other information concerning the Note and FitnessFirst Oradell Center, L.L.C. (the "Borrower") and the Project as has been

requested by it and otherwise deemed by it to be relevant to its decision to purchase the Note.

- (d) It understands that the Note is not a general obligation of the New Jersey Health Care Facility Financing Authority (the "Authority"), but rather a special and limited obligation of the Authority, payable and secured solely as provided in the Resolution and the Master Financing Agreement.
- (e) It has made its own independent investigation and evaluation of the financial position and business condition of the Borrower. Although certain information regarding the Borrower and the Project was distributed by the Authority, it hereby acknowledges it has not relied upon the Authority for any information or analysis with respect to the Borrower or the Project in making its decision to purchase the Note, and that the Authority has made no representations to it with respect to such information.
- (f) It hereby waives the right to receive information from the Authority relating to the Borrower and the Project and relieves the Authority and its agents, representatives and attorneys of any liability for failure to provide such information or for the inclusion of such information in any of the documents, representations or certifications provided by the Borrower of any untrue statement or for the failure to include therein any fact.
- (g) It acknowledges the requirement to be contained in the Note to give notice to the Authority and to the Borrower of the assignment or sale of the Note and the name and address of such assignee or owner in addition to the street name owner for registration purposes. It also acknowledges the requirement to be contained in the appropriate note documents that it will require each subsequent purchaser of the Note to provide a letter to the Authority in substantially the same form as this letter.
- (h) It hereby agrees to protect, exonerate, defend, indemnify and save the Authority and its members, directors, officers, employees, agents and attorneys, and each person, if any, who controls the Authority within the meaning of the Securities Act (all of such indemnified parties being referred to herein as the "Indemnified Parties") harmless from and against any and all losses, claims, damages, liabilities or expenses (including, without limitation, the reasonable costs of investigating, defending or preparing to defend any such action or claim) to which the Authority may become subject through claims, actions or proceedings by subsequent purchasers of the Note arising out of the Authority's issuance and sale of the Note, whether under federal or state securities laws, other statutes, at common law or otherwise.
- (i) All information, certifications and disclosure statements previously provided in connection with P.L. 2005, c.51, enacted March 22, 2005, which codified Executive Order No. 134 (McGreevey 2004) are true and correct as of the date hereof, and all such statements have been made with full knowledge that the

Authority and the State of New Jersey shall rely upon the truth of the statements contained herein in engaging the Initial Purchaser to purchase the Note. [applicable solely to initial Purchaser]

- (j) It acknowledges its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission (“ELEC”) pursuant to *N.J.S.A.* 19:44A-20.13 (P.L. 2005, c. 271, section 3) if the Initial Purchaser enters into agreements or contracts, such as its purchase of the Note, with a public entity, such as the Authority, and receives compensation or fees in excess of \$50,000 or more in the aggregate from the public entities, such as the Authority, in a calendar year. It acknowledges that it is the Initial Purchaser’s responsibility to determine if filing is necessary, that failure to do so can result in the imposition of financial penalties by ELEC, and that additional information about this requirement is available from ELEC at 888-313-3532 or at [www.elec.state.nj.us](http://www.elec.state.nj.us). [applicable solely to initial Purchaser]

Very truly yours,

BANC OF AMERICA PUBLIC  
CAPITAL CORP

By: \_\_\_\_\_

Title: \_\_\_\_\_

**AB RESOLUTION NO. GG-72**

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

*Atlantic Health System*

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

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

**WHEREAS**, the proposed issue size could be considered large; and,

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

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

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

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

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

**AB RESOLUTION NO. GG-73**

**A RESOLUTION AUTHORIZING THE  
INDENTIFICATION OF A HEDGE AGREEMENT TO BE  
ENTERED INTO BY AHS HOSPITAL CORP. TO FIX THE  
INTEREST RATE TO BE BORNE ON BONDS  
ANTICIPATED TO BE ISSUED IN 2007**

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

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

**WHEREAS**, AHS Hospital Corp. (“**AHS**”) 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, AHS is requesting that the Authority issue securities on behalf of AHS during 2007 or at such later time that is agreeable to the Authority and AHS (the “**AHS Bonds**”); and

**WHEREAS**, to hedge with respect to interest rate changes relating to the AHS Bonds, AHS desires to enter into a contract (which may be an interest rate swap, an interest rate cap or such similar type agreement) on a forward basis (the “**Hedge 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 a Hedge Agreement as being applicable to a certain series of bonds issued by it; and

**WHEREAS**, the Authority desires to authorize certain officers to have the power to identify the Hedge Agreement as being applicable to the AHS Bonds;

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

**Section 1. Identification of the Hedge Agreement.** In accordance with the Treasury Regulations, the Authority hereby authorizes and directs 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 Hedge Agreement as being applicable to the AHS Bonds, and as such, for purposes of the Treasury Regulations, the

AHS Bonds are identified as the “Hedged Bonds”. If and when executed, the Hedge Agreement will allow AHS to reduce the risk of interest rate changes. Notwithstanding the foregoing, neither the adoption of this Resolution nor the identification of the Hedge Agreement on the books and records of the Authority in accordance with the foregoing shall obligate the Authority to issue the AHS Bonds or to approve the issuance of the AHS Bonds.

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

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

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

**AB RESOLUTION NO. GG-74**

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

*AtlantiCare Regional 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**, AtlantiCare Regional Medical Center has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

**WHEREAS**, AtlantiCare Regional Medical Center has requested that the Authority consider approving the pursuit of a negotiated sale; and,

**WHEREAS**, the proposed issue size could be considered large; and,

**WHEREAS**, market conditions may be considered volatile; and,

**WHEREAS**, the Authority is desirous of being responsive to AtlantiCare Regional Medical Center'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-76**

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

*Catholic Health East  
(on behalf of Our Lady of Lourdes Medical Center  
and Lourdes Medical Center of Burlington County)*

---

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

**WHEREAS**, Catholic Health East has requested that the Authority consider approving the pursuit of a negotiated sale; and,

**WHEREAS**, the proposed issue size could be considered large; and,

**WHEREAS**, the Financing may use programs or financial techniques that are new to investors; and,

**WHEREAS**, Catholic Health East 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 Catholic Health East'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-77**

**A RESOLUTION AUTHORIZING THE IDENTIFICATION  
OF A SWAP AGREEMENT TO BE ENTERED INTO BY  
CATHOLIC HEALTH EAST, ON BEHALF OF OUR LADY  
OF LOURDES MEDICAL CENTER, INC. AND LOURDES  
MEDICAL CENTER OF BURLINGTON COUNTY, TO FIX  
THE INTEREST RATE TO BE BORNE ON FLOATING  
RATE OR AUCTION RATE BONDS ANTICIPATED TO BE  
ISSUED IN 2007**

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

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

**WHEREAS**, Catholic Health East (“**CHE**”) is the parent organization of Our Lady of Lourdes Medical Center, Inc., of Camden, New Jersey, and Lourdes Medical Center of Burlington County, Willingboro, New Jersey (collectively, “**OLL**”), each of which 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, CHE is requesting that the Authority issue securities bearing a floating or auction rate of interest on behalf of CHE and OLL during 2007 or at such later time that is agreeable to the Authority and CHE (the “**CHE Variable Rate Bonds**”); and

**WHEREAS**, to hedge the variability in interest rate cost of the CHE Variable Rate Bonds, CHE desires to enter into one or more interest rate swap agreements on a forward basis (collectively, 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 certain officers to have the power to identify the Swap Agreement as being applicable to the CHE Variable Rate 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 and directs 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 CHE Variable Rate Bonds, and as such, for purposes of the Treasury Regulations, the CHE Variable Rate Bonds are identified as the "Hedged Bonds". If and when executed, the Swap Agreement will allow CHE to pay a fixed rate of interest to the hedge provider and receive a variable rate of interest based upon a percentage of an index. 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 CHE Variable Rate Bonds or to approve the issuance of the CHE Variable Rate Bonds.

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

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

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

**AB RESOLUTION NO. GG-78**

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

*Clara Maass 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**, Clara Maass Medical Center has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

**WHEREAS**, Clara Maass Medical Center has requested that the Authority consider approving the pursuit of a negotiated sale; and,

**WHEREAS**, the Financing could be considered a complex or poor credit; and,

**WHEREAS**, the Financing may use programs or financial techniques that are new to investors; and,

**WHEREAS**, the Authority is desirous of being responsive to Clara Maass Medical Center'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-79**

**A RESOLUTION AUTHORIZING THE  
IDENTIFICATION OF A HEDGE AGREEMENT TO BE  
ENTERED INTO BY ST. PETER'S UNIVERSITY  
HOSPITAL TO FIX THE INTEREST RATE TO BE BORNE  
ON BONDS ANTICIPATED TO BE ISSUED IN 2007**

---

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

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

**WHEREAS**, St. Peter's University Hospital ("**St. Peter's**") 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, St. Peter's is requesting that the Authority issue securities on behalf of St. Peter's during 2007 or at such later time that is agreeable to the Authority and St. Peter's (the "**St. Peter's Bonds**"); and

**WHEREAS**, to hedge with respect to interest rate changes relating to the St. Peter's Bonds, St. Peter's desires to enter into a contract (which may be an interest rate swap, an interest rate cap or such similar type arrangement) on a forward basis (the "**Hedge 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 a Hedge Agreement as being applicable to a certain series of bonds issued by it; and

**WHEREAS**, the Authority desires to authorize certain officers to have the power to identify the Hedge Agreement as being applicable to the St. Peter's Bonds;

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

**Section 1. Identification of the Hedge Agreement.** In accordance with the Treasury Regulations, the Authority hereby authorizes and directs 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 Hedge Agreement as being applicable to the St. Peter's Bonds, and as such, for purposes of the Treasury Regulations, the St. Peter's Bonds are identified as the "Hedged Bonds". If and when executed, the Hedge Agreement will allow St. Peter's to reduce the risk of interest rate changes. Notwithstanding the

foregoing, neither the adoption of this Resolution nor the identification of the Hedge Agreement on the books and records of the Authority in accordance with the foregoing shall obligate the Authority to issue the St. Peter's Bonds or to approve the issuance of the St. Peter's Bonds.

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

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

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

**AB RESOLUTION NO. GG-80**

**A RESOLUTION AUTHORIZING THE  
IDENTIFICATION OF HEDGING  
ARRANGEMENTS TO BE ENTERED INTO BY  
THE SOCIETY OF THE VALLEY HOSPITAL, INC.  
TO PROTECT AGAINST INTEREST RATE  
INCREASES PRIOR TO THE ISSUANCE OF  
BONDS IN 2010**

---

**WHEREAS**, the New Jersey Health Care Facilities Financing Authority (the “Authority”) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority law, P.L. 1972, c.29, as amended (N.J.S.A. 26-21-1, 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**, The Society of the Valley Hospital, Inc. (“Valley”) 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, Valley will be requesting that the Authority issue securities on behalf of Valley during 2010 or at such later time that is agreeable to the Authority and Valley (the “Valley Bonds”); and

**WHEREAS**, to hedge the variability in interest rate cost of the Valley Bonds, Valley desires to enter into one or more hedging arrangements on a forward basis (the “Hedging Agreements”); 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 hedging arrangements as being applicable to a certain series of bonds issued by it; and

**WHEREAS**, the Authority desires to authorize the identification of the Hedging Agreements as being applicable to the Valley Bonds.

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

**Section 1. Identification of the Hedging Agreements.** 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 Hedging Agreements as being applicable to the Valley Bonds, and as such, for purposes of the Treasury Regulations, the Valley Bonds (in the event such bonds are issued) are identified as the “Hedged Bonds.” If entered into, the Hedging Agreements will allow

Valley to hedge against changes in interest rates that may occur prior to the sale of the Valley Bonds. Provided however, that notwithstanding the foregoing, neither the adoption of this Resolution nor the identification of the Hedging Agreements on the books and records of the Authority in accordance with the foregoing shall obligate the Authority to issue the Valley Bonds or to approve the issuance of the Valley 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 hereto.

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

**Section 4. Effective Date.** This Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

**AMENDMENT TO ALL RESOLUTIONS IN  
WHICH THE AUTHORITY APPROVES A  
BORROWER'S REQUEST TO USE A SELF-  
INSURANCE/CAPTIVE PROGRAM, THUS  
MANDATING COMPLIANCE WITH  
NJHCFFA REPORTING REQUIREMENTS  
(adopted November 20, 2003)**

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1. Pursuant to a resolution adopted November 20, 2003, the Authority has accepted the coverages set forth in the plans of self-insurance (in the form of a self insurance trust) or captive insurance, as the case may be (the "Accepted Plan") of the entity referred to in the Resolution (the "Borrower"). With respect to the Accepted Plan, the Borrower shall, on an annual basis, provide to the Authority
  - a. a certification that (i) a written actuarial evaluation with respect to such self-insurance or captive insurance company programs from a nationally recognized Insurance Consultant; (ii) a report from such Insurance Consultant to the effect that such self-insurance or captive insurance company program shall not disqualify or materially adversely affect the Borrower for reimbursement under Medicare or Medicaid programs or any governmental programs providing similar benefits or establishing rates and charges for health care services; and (iii) evidence that adequate reserves for such programs have been or will be deposited and maintained with an independent corporate trustee in an amount acceptable to the Authority, which shall be at least equal to the amount required by the report referred to in clause (i) above and (iv) a copy of the annual audit of the self insurance trust or the captive insurance company, as applicable, has been provided to the Insurance Rating Agency within one hundred fifty (150) days of the end of the fiscal year of such self insurance trust or captive insurance company, respectively;
  - b. within nine (9) months of the end of the fiscal year of the self insurance trust or captive insurance company, as applicable, evidence of receipt of a Qualified Insurance Rating from an Insurance Rating Agency; and
  - c. such other additional documents as the Authority may require.
2. In the event that the Borrower is not able to comply with clause (b) above, it will be deemed to be not in compliance with this resolution unless the Borrower, by the commencement of the next succeeding fiscal year of the Borrower, shall have (i) procured insurance as required under its loan documents with the Authority or (ii) provided a Qualified Insurance Rating..
3. As referred to herein,
  - a. "Insurance Consultant" shall mean an independent firm of insurance agents, brokers or consultants which is appointed by the Borrower for the purpose of reviewing and recommending insurance coverages for the facilities and operations of the Borrower, and has a favorable reputation for skill and experience in performing such services in respect of facilities and operations of a comparable size and nature; provided that any entity so appointed is not

b. "Insurance Rating Agency" shall mean A.M. Best Company, or its successor, or such other rating service that customarily provides ratings for insurance companies or coverage and is acceptable to the Authority.

c. Qualified Insurance Rating shall mean a rating that is at least "investment grade" or "secure" as defined by A.M. Best Company, or such similar rating as defined by any other Insurance Rating Agency.

**AB RESOLUTION NO. GG-82**

**RESOLUTION TO ELECT TO OFFER THE STATE OF  
NEW JERSEY'S LONG-TERM CARE INSURANCE PLAN  
TO EMPLOYEES AND RETIREES**

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**WHEREAS**, the State, through the Division of Purchase and Property, awarded a Long-Term Care Insurance Contract for State employees to Prudential Insurance Company of America (hereinafter "Prudential") on May 4, 2001 (hereinafter "the Contract"); and,

**WHEREAS**, N.J.S.A. 52:18-11.2 provides that the State Treasurer shall negotiate and arrange for a long term care insurance plan to employees and retirees of any local public employer contracting unit adopting a resolution offering its employees and retirees the opportunity to participate, at their own cost; and,

**WHEREAS**, the Contract has been amended to permit participation by eligible active and retired employees of any local contracting unit adopting a resolution offering its employees and retirees the opportunity to participate in the Contract; therefore,

**BE IT RESOLVED**, that:

1. New Jersey Health Care Facilities Financing Authority hereby offers the Long-Term Care Insurance Plan that is the subject of the Contract to its employees and retirees.
2. We understand that submission of a certified copy of this resolution to the Division of Pensions and benefits ("the Division") is prerequisite to any of employees and retirees applying to enroll in the Plan options and benefits offered under the Contract.
3. We understand that following its receipt of a certified copy of this resolution, the Division will advise Prudential that our employees and retirees are eligible to apply to Prudential for enrollment in the Plan options and benefits offered under the Contract.
4. We acknowledge that we will cooperate with Prudential in making the opportunity for our employees and retirees to apply to Prudential for enrollment in the Plan options and benefits offered under the Contract.
5. We understand that an employee or retiree eligible to participate in the Plan options and benefits offered under the Contract shall pay the entire cost associated therewith.
6. We understand that an enrolled employee may elect to have a deduction made from his or her salary for the payment of premiums due to Prudential under the Contract.

I hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the New Jersey Health Care Facilities Financing Authority.

This 25<sup>th</sup> day of January 2007

By: \_\_\_\_\_

\_\_\_\_\_  
(official title)