

Minutes of the New Jersey Health Care Facilities Financing Authority annual meeting held on May 26, 2005 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

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

Dr. Fred M. Jacobs, Commissioner of Health and Senior Services; Gus Escher, Public Member; Freida Phillips, designee of the Commissioner of Human Services; Maryann Kralik, designee of the Commissioner of Banking and Insurance; and, Ed Tetelman, designee of the Commissioner of Health and Senior Services (present but not voting).

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

Mark Hopkins, Dennis Hancock, Steve Fillebrown, Suzanne Walton, Lou George, Jim Van Wart, Michael Ittleton, Carole Conover, Susan Tonry, Bernard Miller, Bob Day, Marji McAvoy, and Stephanie Zschunke.

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

Victoria Pratt, Authorities Unit Office of the Governor; Jaimy Taylor, Treasurer's Office; and, Clifford T. Rones, Deputy Attorney General.

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

Peter Newell, Robert Wood Johnson University Hospital at Hamilton; William Mayer, DeCotiis FitzPatrick Cole & Wisler; Alan Kaufman, Anne DeMuro, New Jersey Department of Human Services; Carl Alberto, Warren Hospital; Tim Lizura, Tom Catapano, New Jersey Economic Development Authority; Bob Segin, Mary Hugues, Robert Osler, Virtua Health System; Dominic Colaizzo, AON Risk Services; Jan Blazewski, Cain Brothers; Tony Manger, Norris McLaughlin & Marcus; Chris Walrath, Gluck Walrath; Karen Mosner, Evergreen Financial Services; Robin Bramwell, JPMorgan; and, Kari Fazio, Wachovia Securities.

CALL TO ORDER

Dr. Jacobs called the meeting to order at 10:10 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the June 24, 2004 Authority meeting. In accordance with the provisions of the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, far enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

APPROVAL OF MINUTES

A. April 28, 2005 Authority Meeting

The minutes for the Authority's April 28, 2005 meeting had been distributed for review and approval. Ms. Phillips offered a motion to approve the minutes; Mr. Escher seconded. Dr.

Jacobs voted yes, Mr. Escher voted yes, Ms. Phillips voted yes, and Ms. Kralik voted yes. The motion carried and the minutes approved.

BOND SALE REPORT

Dennis Hancock stated that the Authority closed on two series of bonds that morning, totaling \$12,055,000. The bonds were issued on behalf of Pilgrim River LLC, which will own and operate Avalon at Hillsborough, an 81-unit assisted living facility. Authority staff worked with the underwriter and the borrower to market the bonds to a combination of retail and institutional investors. Initial interest rate levels were discussed and approved for marketing purposes on May 5th. The underwriter was then able to take retail orders and seek indications of interest from institutions and plan site visits. Staff joined the underwriter and borrower on May 11th when a number of institutions toured the Hillsborough area and the Avalon at Bridgewater facility. According to Mr. Hancock, Don Pellegrino and his staff did a wonderful job convincing the institutions that the new facility will be run in the same professional manner as Bridgewater and that the expected fill-up rates could be achieved.

The formal pricing took place on May 17th and after receiving orders from a number of institutions, the underwriter made an offer to purchase the tax-exempt bonds at yields of 6.25% for the 2020 maturity, 6.5% for 2025 and 6.75% for the final maturity in 2035. The taxable bonds, which mature in 2014, were sold with a 9% yield. Mr. Hancock noted that these interest rates are higher than those of typical Authority issues because assisted living is a riskier portion of the health care spectrum, the bonds are unrated, and the project is new construction. The underwriter agreed to a call provision in 2009, which coincides with the optional redemption period for the Bridgewater bonds. This enables the borrower to refund the bonds after the facility is successfully in operation and possibly form an obligated group.

TEFRA HEARING AND CONTINGENT BOND SALE

Robert Wood Johnson University Hospital at Hamilton

As required by the Tax Reform Act of 1986, Dr. Jacobs announced that the following portion of the meeting would be considered a public hearing in connection with the Authority's proposed financing on behalf of Robert Wood Johnson University Hospital at Hamilton ("RWJ Hamilton"). He invited those in attendance to participate in discussing the transaction, and then asked Suzanne Walton to present the proposed financing.

Ms. Walton began by introducing Peter Newell, Corporate Vice President of Finance of RWJ Hamilton. Ms. Walton indicated that the Members are being asked to consider a contingent sale of bonds on behalf of RWJ Health Care Corp. at Hamilton (the "Parent") and RWJ Hamilton, collectively the "Institution". Issued in two series (Series 2005A Revenue and Refunding Bonds, and Series 2005B Revenue Bonds), the bonds will combine for an aggregate principal amount not to exceed \$102 million.

The proceeds of the bond issue will be used to currently refund bonds issued through the Economic Development Authority in 1994; fund the construction and equipping of a new 4-story patient tower on the hospital campus providing 64 new medical surgical beds and new loading

and receiving areas; finance various building improvements; finance the undertaking of site work; fund the payment of capitalized interest; fund a debt service reserve fund; and, pay the related costs of issuance including the premiums for two insurance policies.

Ms. Walton stated that the FSA-insured Series 2005A bonds are being issued in a multi-modal form, consisting of weekly, flexible, medium-term, fixed rate, and an auction rate. The auction rate securities can be issued in 7-day, 28-day and 35-day periods. The Institution determined that the bonds would initially be issued in 7-day auction rate mode, however, the documents allow for a conversion from one mode to another, subject to certain conditions including an Opinion from bond counsel.

Ms. Walton informed the Members that, when bonds are outstanding in an auction rate mode, it is necessary to use broker-dealers to solicit orders and bids on the bonds. The broker dealers provide this information to an auction agent who determines a rate for the upcoming period and then allocates the bonds. For this transaction, Wachovia Bank will serve as Broker-Dealer and Deutsche Bank Trust Company Americas will act as the Auction Agent. If, at some future date, the borrower should elect to convert the outstanding bonds to a variable rate mode, a remarketing agent would need to be appointed.

The Series 2005B Bonds will be sold as fixed rate securities and will be insured by Radian Asset Insurance Inc.

RESOLUTION

William Mayer, Esq. of DeCotiis, FitzPatrick, Cole & Wisler, LLP stated that the Resolution authorizes the issuance of the Bonds in two series, the Series 2005A Revenue and Refunding Bonds and the Series 2005B Revenue Bonds, in an aggregate principal amount, exclusive of original issue discount, not in excess of \$102,000,000. The Series 2005A Bonds shall initially bear interest at a rate to be determined by periodic auction procedures (which auction rate on the date of issuance of the Series 2005A Bonds shall not exceed 12% per annum) and the Series 2005B shall bear interest at a true interest cost not to exceed 7%. The Bonds shall mature no later than July 1, 2035 and will be secured by payments made by the Institution under the Loan Agreement, as evidenced and secured by Notes issued pursuant to provisions of an Amended and Restated Master Trust Indenture. In addition, the Resolution approves the form of and authorizes the execution of a Bond Purchase Contract for the Series 2005A Bonds and a Bond Purchase Contract for the Series 2005B prior to close of business on August 24, 2005. The Bond Resolution also approves the form of the Bonds, the Preliminary Official Statements, the Official Statements, the Loan Agreement, the Escrow Deposit Agreement, and the Trust Agreement.

In addition, the Resolution acknowledges that the Authority is familiar with the provisions of the Agreement, the Mortgage and the Master Indenture, including the provisions of the Sixth Supplemental Indenture, the Seventh Supplemental Indenture and the Eighth Supplemental Indenture for the incurring of indebtedness, for securing such indebtedness by a pledge, lien, mortgage or other security instrument, including the property pledged to the Series 2005 Bonds, and the transfer of assets.

The Resolution confirms the appointment of Commerce Bank, National Association as Trustee, Bond Registrar and Paying Agent for the Bonds and approves Wachovia Bank, National Association, as Broker-Dealer and Deutsche Bank as Auction Agent for the Series 2005A Bonds.

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

AB RESOLUTION NO. EE-86

NOW, THEREFORE, BE IT RESOLVED, That the Authority hereby approves the Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE AND REFUNDING BONDS, RWJ HEALTH CARE CORP. AT HAMILTON OBLIGATED GROUP ISSUE, SERIES 2005A AND REVENUE BONDS, RWJ HEALTH CARE CORP. AT HAMILTON OBLIGATED GROUP ISSUE, SERIES 2005B."

Mark Hopkins then reminded the Members that the Authority's policy states, "The Authority reserves the right to select firm(s), from its qualified list, to serve as co-managing underwriter(s) for its financings. Co-manager(s) will be selected by the Authority, based on demonstrated ability to distribute New Jersey securities of comparable credit quality, sufficient capital to participate in underwriting the issue, and borrower preference(s)." Wachovia Securities is the senior manager for the RWJ Hamilton transaction. Staff recommended the firms Advest, Inc., Loop Capital Markets, LLC, Merrill Lynch & Co. to serve as co-managers. Mr. Escher moved to approve the recommendation; Ms. Phillips seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. EE-87

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the following three firms to serve as co-managers for the Robert Wood Johnson University Hospital at Hamilton Series 2005 transaction:

- Advest, Inc.
- Loop Capital Markets, LLC
- Merrill Lynch & Co.

INFORMATIONAL PRESENTATION

Greystone Park Psychiatric Hospital

Lou George began his presentation by introducing the following individuals: Alan Kaufman, Director of the Division of Mental Health Services within the Department of Human Services ("NJ DHS"); Anne DeMuro, Assistant Director of the Northern Region within the NJ DHS; Tim Lizura, Assistant Director of Real Estate with the Economic Development Authority ("EDA"); and, Tom Catapano, Senior Project Officer with the EDA. Mr. George noted that the EDA is serving as Construction Manager for the proposed project.

In 2003, the Authority entered into a Memorandum of Understanding with the NJ DHS to provide financing for the construction of a replacement facility at the existing Greystone Park Psychiatric

Hospital located in Parsippany. At that time the Authority completed the financing for Phase I of the project, which involved a bond issuance of \$19,125,000 for design, demolition, and roadway construction at the facility. The Authority entered into an agreement appointing the EDA to directly manage and administer the procurement of all necessary consultant and contractor services.

Mr. George stated that the NJDHS is now prepared to move forward with Phase II of the project, which involves the construction of a new facility to house approximately 450 patients, and administrative offices along with renovations to various cottages that will house an additional 60 patients. Bonding for Phase II is estimated at an amount not to exceed \$225 million and will consist of approximately \$188 million for hard project costs, with the balance funding capitalized interest and various costs of issuance. The EDA anticipates distributing a request for proposals for the construction contract during June and awarding the contract in late August.

Mr. George reminded the Members that, at the time of the 2003 bond issuance, the Authority entered into a lease for the Greystone Park Psychiatric Hospital property. Simultaneously with the bond closing, the Authority executed a Sublease and Agreement, thereby subleasing the property back to the NJDHS. The Sublease and Agreement require the NJDHS to make rental payments sufficient to cover the interest and principal payments to the bondholders and the administrative expenses of the Authority. The 2003 bonds were issued under an Authorizing Resolution and the provisions of a Trust Indenture. The new bonds will be considered “additional bonds” and will be issued under the provisions of a new Authorizing Resolution and a Supplement to the Trust Indenture. Subject to approval of the State Treasurer, the Authorizing Resolution will allow for changes to the documents as requested by a bond insurer or the rating services, since no insurer is expected to be named prior to the approval of a contingent bond sale.

Similar to the 2003 issue, the bonds will be “appropriation bonds”, meaning rental payments will be subject to appropriation by the legislature to the NJDHS. Non-appropriation by the Legislature, and a resulting non-payment by the NJDHS, will not constitute an event of default. If the bonds are uninsured, other than the rental payments, there will be no further security for the bondholders. Mr. George stated that staff anticipates requesting a contingent bond sale for this transaction at the Authority’s June meeting.

AMENDMENT TO BOND DOCUMENTS

Warren Hospital

Bob Day began his presentation by providing some background information. He reminded the Members that on July 6, 1995 the Authority issued the Series 1995 Bonds (Asset Guaranty Insured) on behalf of Warren Hospital Obligated Group in the amount of \$13,615,000. The purpose of the 1995 issue was to currently refund the Authority’s \$9,595,000 outstanding principal amount of Revenue Bonds, Warren Hospital Issue, Series C, dated December 1, 1985. The original bonds were issued in 1985 to finance the cost of certain capital improvements to the hospital’s facilities including renovations to the pharmacy, the mental health unit, the ICU/CCU, and X-ray department. The bonds also funded the debt service reserve and paid the costs of a bond insurance premium as well as certain costs for the issuance of the Bonds. Warren Hospital operates a general acute care, not-for-profit community hospital with 214 licensed beds offering

a full range of inpatient and outpatient services serving Warren and Hunterdon Counties and portions of Northampton County in Pennsylvania.

Mr. Day stated that Warren Hospital requested a Supplemental Resolution be adopted to allow a purchase of the Series 1995 Bonds in lieu of redemption in order to enter into a transaction that should result in a significant savings to the group. The transaction contemplates that Warren Hospital will purchase its own bonds and then sell them to a Trust for the same price. Warren Hospital will pay a variable rate to the Trust and the Trust will pay a fixed rate on the Bonds. That transaction will not involve the Authority and the Series 1995 Bonds will remain outstanding. The Series 1995 bonds are callable at 101% on July 1, 2005.

According to Mr. Day, bond counsel firm Gluck, Walrath, LLP opined that Supplemental Resolution No. 1 is permitted by the provisions of the General Resolution or the Series Resolution and is not contrary to or inconsistent therewith. The firm also opined that the Supplemental Resolution's execution and delivery will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. The opinion also indicates that this action is not an impairment of the security and is not adverse to the Bondholders. The insurer, Radian Asset Assurance (formerly Asset Guaranty Insurance Company), also approved the action.

A form of resolution authorizing the Supplemental Resolution No. 1 was distributed. The Attorney General's office reviewed the resolution and Bond Counsel's opinion and it has no objection to the Board's consideration of this matter. Therefore, staff recommended that the resolution be approved, subject to the receipt of the Bond Insurer's approval. Ms. Phillips offered a motion to approve the proposed resolution on behalf of Warren Hospital; Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. EE-88

(attached)

SELF-INSURANCE REQUEST

Virtua Health System

Susan Tonry began by introducing the following individuals: Bob Segin, Vice President and Chief Financial Officer for Virtua Health System ("Virtua"); Mary Hugues, Esq., Vice President and General Counsel for Virtua; Robert Osler Treasury Director for Virtua; and, Dominic Colaizzo, Managing Director for AON Risk Services. She then reported that Virtua is a multi-hospital healthcare system headquartered in Marlton that consists of four hospitals: Virtua Memorial of Burlington County in Mount Holly, and Virtua West Jersey Hospitals in Berlin, Marlton and Voorhees. Virtua also operates outpatient health and surgery centers, a home healthcare service, and rehab and nursing centers throughout southwestern New Jersey. The system employs over 7,100 clinical and administrative employees and 1,800 physicians as medical staff members.

Historically, Virtua has purchased insurance from Princeton Insurance Company at both the primary and excess levels. Due to the large premium increases by Princeton, combined with the

lack of an AM Best Rating and the general state of the medical malpractice marketplace in New Jersey, Virtua decided to restructure its excess program on December 31st 2004. At that time Virtua decided to place excess layers with Lexington and American Re-Insurance, both “A” rated insurers by AM Best.

Ms. Tonry reported that, effective July 1, 2005, Virtua would like to replace Princeton with Lexington for the first \$1 million per occurrence and \$3 million aggregate for hospital professional liability, and \$1 million per occurrence and \$1 million aggregate for general liability, using a captive insurance company to reinsure Lexington for 100% of the risk.

The captive, named Virtua Assurance, Inc. (“the Company”), is a wholly owned captive insurance company and subsidiary of Virtua that is domiciled in Burlington, Vermont. The insurer’s risk will be fully secured by a Letter of Credit provided by a bank that meets both Vermont’s requirements as well as those set by the fronting carrier, Lexington.

According to Ms. Tonry, the annual premium of \$4.8 million combined with the initial capitalization of \$2.5 million is well in excess of the actuarially computed 95th% confidence level of \$5.6 million. This funding level is consistent with both the Authority and Vermont’s funding requirements. Since the inception date of the proposed plan is July 1, 2005, the first fiscal year of the captive will consist of only 6 months. The renewal period and next fiscal year will be January 1, 2006 to December 31, 2006 so the captive and system will share a common fiscal year end.

Virtua agreed to comply with the Authority’s requirements with respect to self-insurance programs, including the continued annual rating of their captive beginning no later than the end of the captive’s first full fiscal year of operation. Based on the review by staff, Ms. Tonry recommended the Authority’s approval of a resolution approving Virtua’s proposed captive plan. Mr. Escher offered a motion to approve the captive; Ms. Phillips seconded. Dr. Jacobs voted yes, Mr. Escher voted yes, Ms. Phillips voted yes, and Ms. Kralik abstained. The motion carried.

AB RESOLUTION NO. EE-89

NOW, THEREFORE, BE IT RESOLVED, that, the Authority approves the use of the proposed self-insurance program on behalf of Virtua Health System; 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”.

AUTHORITY EXPENSES

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

AB RESOLUTION NO. EE-90

WHEREAS, the Authority has reviewed memoranda dated May 26, 2005, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of \$705,517.95, \$28,823.52 and \$30,353.04 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.

OLD / NEW BUSINESS

A. 2005/2006 Meeting Schedule

Dr. Jacobs stated that, although this is the Authority's annual meeting at which Authority officers are elected, those nominations will be tabled until a future meeting. However, Members will move forward with the adoption of a 2005-2006 meeting schedule. A proposed list of dates for regular Authority meetings and Finance Committee meetings was distributed for advance review. There were no changes suggested for the proposed dates, and Ms. Phillips offered a motion to adopt the schedule, seconded by Mr. Escher. The vote was unanimous and the motion carried.

AB RESOLUTION NO. EE-91

NOW THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the following schedule of dates on which to conduct meetings of the Finance Committee and the Authority; and,

BE IT FURTHER RESOLVED, that, as provided by the provisions of the Open Public Meetings Act and the Authority's By-laws, the Assistant Secretary is authorized to provide notice of these meeting dates to the Authority's designated newspapers, to post notice in the Authority offices and on the Authority's website, and provide notice to the Secretary of State:

FINANCE 10:00 a.m.	AUTHORITY** 10:00 a.m.
2005	2005
Tuesday, June 7	Thursday, June 23
Tuesday, July 12	Thursday, July 28
Tuesday, August 9	Thursday, August 25
Tuesday, September 6	Thursday, September 22
Tuesday, October 11	Thursday, October 27
Wednesday, November 9	Tuesday, November 22
Tuesday, December 6	Thursday, December 15
2006	2006
Tuesday, January 10	Thursday, January 26
Tuesday, February 7	Thursday, February 23
Tuesday, March 7	Thursday, March 23
Tuesday, April 11	Thursday, April 27
Tuesday, May 9	Thursday, May 25

****Note:**

The Finance Committee's meetings are also scheduled immediately following all Authority meetings.

It is hereby noted for the record that, unless advertised to the contrary, all meetings are open to the public and shall be held in the Authority's office on the fourth floor of Building #4, Station Plaza, South Clinton Avenue, Trenton, New Jersey.

B. Nominations for the Authority's Audit Committee

Dr. Jacobs reminded the Members that, at the prior meeting the Authority amended its by-laws to allow for the establishment of an Audit Committee. Dr. Jacobs then nominated the following slate of people to serve as the Authority's Audit Committee: himself as Commissioner of Health and Senior Services (or his designee); Commissioner of Banking and Insurance (or his designee); and, Patricia Leahey from New Jersey's Office of Management and Budget. Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. EE-92

NOW, THEREFORE, BE IT RESOLVED, that the following individuals are hereby elected to serve as the Authority's Audit Committee:

- Commissioner of Health and Senior Services (or his designee)
- Commissioner of Banking and Insurance (or his designee)
- Patricia Leahey, from New Jersey's Office of Management and Budget

STAFF REPORTS

Dr. Jacobs referenced staff reports that were distributed for review, including the Project Development Summary, Interest Rate Trends Graph, Cash Flow Statement, and Legislative Advisory. He thanked staff for preparing the reports.

Mr. Hopkins then began his Executive Director's report by announcing that staff hired Bernard Miller to serve as the Authority's Construction Manager. Mr. Miller started on May 23rd and previously worked as staff architect at Raritan Bay Medical Center. Also, newly hired is Andreea Milosovici as Assistant Account Administrator. She graduated from Rider University this year with a BS in Accounting. Andreea will start at the Authority on June 6th and she will report to Ron Marmelstein.

Mr. Hopkins stated that since the last Authority meeting, he met with both Bergen Capital and A.G. Edwards as potential underwriters. On June 14th, Sue Tonry and he will address a conference sponsored by the Finance/Accounting/Capital/Tax (FACT) Committee of the New Jersey chapter of the Healthcare Financial Management Association regarding financing options and covenant compliance.

Mr. Hopkins congratulated Steve Fillebrown for being elected to serve as a member of the board of the National Council of Health Facilities Finance Authorities. Mr. Hopkins announced that staff and the Attorney General's office are finalizing the draft of the Hospital Asset Transformation regulations, which were approved by the Members at the Authority's previous meeting, to be submitted to the Office of Administrative Law, aiming for publication in the New Jersey Register on June 20, 2005 with a comment period ending August 19, 2005.

Mr. Hopkins concluded his presentation by stating that the Authority staff held its first annual Diversity Training and Harassment Prevention session this month. Staff also purchased an educational video on diversity that each staff member and all new hires will be required to watch. Senior staff will be attending a further detailed diversity training session in June. This concluded the Executive Director's Report.

ADJOURN

As there was no further business to be addressed, Mr. Escher moved to adjourn the meeting, Ms. Phillips seconded. The vote was unanimous and the motion was carried at 10:35 a.m.

I HEREBY CERTIFY THAT THE
FOREGOING IS A TRUE COPY OF
MINUTES OF THE NEW JERSEY
HEALTH CARE FACILITIES
FINANCING AUTHORITY MEETING
HELD ON MAY 26, 2005.

Carole Conover
Assistant Secretary

AB RESOLUTION NO. EE-88

**NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
SUPPLEMENTAL RESOLUTION NO. 1**

Warren Hospital

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

WHEREAS, the Authority duly adopted on October 29, 1992 its General Health Care Facilities Registered Bond Resolution (the “General Resolution”); and

WHEREAS, on June 21, 1995 the Authority issued \$13,615,000 aggregate principal amount of its Revenue Bonds, Warren Hospital Obligated Group Issue, Series 1995 (the “Series 1995 Bonds”) pursuant to the General Resolution and a Series Resolution duly adopted by the Authority on May 25, 1995 (the “Series Resolution”); and

WHEREAS, the Authority loaned the proceeds of the Series 1995 Bonds to Warren Hospital Obligated Group (the “Institution”) pursuant to the Loan Agreement, dated as of June 1, 1995, between the Authority and the Institution (the “Agreement”), which Agreement has been assigned to The Bank of New York (as successor to New Jersey National Bank), as trustee (the “Trustee”); and

WHEREAS, Section 2.03(A) of the Series Resolution sets forth the conditions upon which the Series 1995 Bonds shall be subject to optional redemption prior to maturity, which optional redemption (if elected) shall be implemented through the application of various additional provisions of the General Resolution, the Series Resolution and the Agreement; and

WHEREAS, the Institution has requested that the Authority amend certain provisions of the Series Resolution in order to provide that the Institution shall be permitted to purchase Series 1995 Bonds from the holders thereof when such Series 1995 Bonds are otherwise redeemable under Section 2.03(A) of the Series Resolution, at a purchase price equal to the then-applicable Redemption Price for such Series 1995 Bonds; and

WHEREAS, such amendment shall provide that Series 1995 Bonds so purchased by the Institution shall remain Outstanding for all purposes of the General Resolution, the Series Resolution and the Agreement, and shall also remain subject to subsequent optional redemption and/or purchase; and

WHEREAS, Section 6.10 of the Series Resolution provides that the Series Resolution may be amended by a Supplemental Resolution adopted pursuant to the provisions of the General Resolution; and

WHEREAS, Section 10.01(c) of the General Resolution provides that a Supplemental Resolution may be adopted by the Authority to make such amendment or supplement to any Series Resolution as the Authority may deem advisable and as shall not impair the security for the Applicable Series of Bonds or adversely affect such Bondholders; and

WHEREAS, the amendments provided in this Supplemental Resolution No. 1 do not constitute modifications changing the terms of redemption of the Series 1995 Bonds or the due date of principal of, Sinking Fund Installment or interest on, the Series 1995 Bonds within the meaning of Section 10.02(b) of the General Resolution; and

WHEREAS, Section 10.04 of the General Resolution provides that no Supplemental Resolution shall modify any of the rights or obligations of the Trustee without its written consent, and Section 6.01(B) of the Series Resolution provides that no amendment pursuant to Section 10.01(c) of the General Resolution shall be made without the prior written consent of Radian Asset Assurance, Inc. (“RADIAN”) successor of Asset Guaranty, as issuer of a bond insurance policy in respect of the Series 1995 Bonds; and

WHEREAS, the Institution has provided to the Authority and the Trustee (a) adequate support for the findings that this Supplemental Resolution No. 1 shall not impair the security for the Series 1995 Bonds and shall not adversely affect the holders of the Series 1995 Bonds, such support consisting of, inter alia, (i) a certification of Cain Brothers & Company, LLC, special advisor to the Institution, as to the market price of the Series 1995 Bonds and similar securities, a copy of which certification is attached hereto as Exhibit A (the “Market Price Certification”), and (ii) the expected delivery (as a condition to the effectiveness hereof) of the opinion of Bond Counsel described in the following paragraph (the “Bond Counsel Opinion”); and (b) a letter from RADIAN, as issuer of a bond insurance policy in respect of the Series 1995 Bonds, providing its prior written consent to the adoption of this Supplemental Resolution as required by Section 6.01(B) of the Series Resolution, a copy of which letter is attached hereto as Exhibit B (the “Bond Insurer Consent”);

WHEREAS, as provided in Section 6 hereof, this Supplemental Resolution No. 1 shall not take effect until the delivery of an opinion of Bond Counsel pursuant to Sections 10.03 and 10.05 of the General Resolution, which opinion shall in addition state that the execution and delivery of this Supplemental Resolution No. 1 will not, (a) in and of itself, adversely affect any exclusion of interest on the Series 1995 Bonds from gross income for purposes of federal income taxation; and (b) impair the security for the Series 1995 Bonds or adversely affect the Series 1995 Bondholders (a form of such Bond Counsel Opinion is attached hereto as Exhibit C); and

WHEREAS, the Institution has provided to the Authority and the Trustee a Letter of Indemnification, a copy of which is attached hereto as Exhibit D, indemnifying and holding harmless the Authority and the Trustee from certain liabilities in connection with the adoption of this Supplemental Resolution No. 1 and any purchases of Series 1995 Bonds effected hereunder;

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

Section 1. Definitions. As used in this Supplemental Resolution No. 1, unless otherwise defined herein and unless the context otherwise requires, all words and terms which are defined in Section 1.01 of the General Resolution and/or Section 1.01 of the Series Resolution shall have the same meaning in this Supplemental Resolution No. 1 as are given to such words and terms therein.

Section 2. Determinations. On the basis of and in reliance upon the Market Price Certificate, the Bond Insurer Consent, the expected delivery of the Bond Counsel Opinion, and such other information, representations and documents as the Authority deems necessary or appropriate, the Authority hereby deems advisable the amendments to the Series Resolution which are set forth herein.

Section 3. Amendment to Series Resolution. (a) Section 2.03(A) of the Series Resolution is hereby amended in its entirety to read as follows (added language is indicated by underlining):

(A) (1) Optional Redemption. The Series 1995 Bonds shall be subject to optional redemption prior to maturity, at the option of the Authority (as directed by the Institution), from the Redemption Fund established under the Resolutions, as a whole or in part at any time on the dates and at the Redemption Prices (expressed as a percentage of the principal amount to be redeemed) as set forth in the Purchase Contract as executed, plus accrued interest to the redemption date. The Series 1995 Bonds or portions thereof to be redeemed shall be selected by the Trustee in such order of maturity as the Authority shall direct, upon receipt of direction by the Institution, and within a maturity by lot or in any other customary manner of selection determined by the Trustee.

(2) Purchases of Series 1995 Bonds. The Institution may purchase, at any time and from time to time, any Series 1995 Bond which is redeemable pursuant to the terms of Section 2.03(A)(1) hereof, on the dates permitted for such redemption and at a purchase price equal to the Redemption Price therefor. In order for the Institution to effect such a purchase, the Institution shall have deposited with the Trustee, along with a request including instructions as to registration of Series 1995 Bonds so purchased, no later than the specified date fixed for purchase, all funds necessary for such purchase, including accrued interest, if any, and premium, if any, which the Trustee shall hold in escrow pending purchase of such Series 1995 Bonds. Such funds provided by the Institution shall not include any moneys held

by the Trustee under the terms of the General Resolution or the Series Resolution. The Trustee shall deposit such funds into a separate account to be held by the Trustee for the benefit of the Holders of Series 1995 Bonds to be purchased and apply the same as hereinafter provided. The Authority hereby establishes a Purchase Fund to be held by the Trustee for this purpose.

In effecting a purchase pursuant to this Section 2.03(A)(2), (i) the Institution shall deliver written notice thereof to the Authority and the Trustee not later than seventy-five (75) days prior to the proposed date of purchase, and (ii) the Trustee shall thereupon give Holders of Series 1995 Bonds to be purchased hereunder notice in the same manner as specified in Section 3.03 of the General Resolution and Section 2.03(E) of the Series Resolution. Such notice to Holders shall be conditional with the same effect as conditional notices of redemption given pursuant to Section 3.03(b) of the General Resolution, and payment by the Institution of the purchase price of any Series 1995 Bonds shall be non-obligatory and shall not be secured by any pledges, mortgages or other security whatsoever. If less than all of the Outstanding Series 1995 Bonds are to be purchased hereunder, the Institution shall select the maturity or maturities and principal amount of Series 1995 Bonds to be so purchased, and within a maturity the Trustee shall select the Series 1995 Bonds to be purchased by lot.

On the date fixed for purchase hereunder, the Trustee shall withdraw such funds from the Purchase Fund and pay the same to the Holders of such Series 1995 Bonds against delivery of such Series 1995 Bonds. Following such purchase, the Trustee shall cause such Series 1995 Bonds to be registered in the name of or upon the direction of the Institution and shall deliver them as directed by the Institution.

NO PURCHASE OF BONDS PURSUANT TO THIS SECTION 2.03(A)(2) SHALL OPERATE TO EXTINGUISH THE INDEBTEDNESS OF THE ISSUER EVIDENCED THEREBY OR MODIFY THE TERMS OF ANY SERIES 1995 BONDS IN ANY OTHER WAY, EXCEPT AS PROVIDED IN THIS SUPPLEMENT. Series 1995 Bonds so purchased shall remain Outstanding for all purposes of the General Resolution and the Series Resolution, shall remain subject to subsequent optional redemption and/or purchase, and shall not by virtue of such purchase be deemed to have been "paid" for purposes of Section 12.01 of the General Resolution (relating to defeasance), Section 6.01 of the Series Resolution (relating to the bond insurance policy securing the Series 1995 Bonds) or otherwise.

Section 4. Prior Resolutions. Except as amended hereby, all provisions of the General Resolution and the Series Resolution shall remain in full force and effect. All other prior resolutions of the Authority or any portions thereof to the extent inconsistent herewith are hereby repealed.

Section 5. Additional Actions. The Trustee and 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 connection with the foregoing matters, which may include providing such notices to Holders of the Series 1995 Bonds as may be appropriate and/or causing the Series 1995 Bonds to bear a notation reflecting the amendment contained herein.

Section 6. Effectiveness. This Supplemental Resolution No. 1 shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery to the Governor of the minutes of the meeting of the Authority at which this Supplemental Resolution No. 1 is adopted, or at such earlier time as the Governor signs a statement of approval, in accordance with subsection (i) of Section 4 of the Act, provided that there shall have been filed with the Trustee a copy of this Supplemental Resolution No. 1 certified by an Authorized Officer of the Authority together with an opinion of Bond Counsel (as provided in Section 10.05 of the General Resolution) and the Trustee shall have consented hereto (as provided in Section 10.04 of the General Resolution).

CONSENT

The undersigned, an authorized officer of Bank of New York, National Association (as successor to New Jersey National Bank), as trustee (the "Trustee") under the New Jersey Health Care Facilities Financing Authority (the "Authority") Series Resolution adopted on January 13, 1994 (the "Series Resolution"), hereby consents, on behalf of the Trustee, to the adoption by the Authority on May 26, 2005 of a Supplemental Resolution No. 1 to the Series Resolution in the form annexed hereto.

Dated this ____ day June, 2005.

EXHIBIT A

COPY OF MARKET PRICE CERTIFICATION

[To be provided by Restructuring Agent]

EXHIBIT B

CONSENT CERTIFICATE

New Jersey Healthcare Facilities Financing Authority
(Warren Hospital, Series 1995 Bonds)
CN 366
Trenton, NJ 08625-0366

Warren Hospital
185 Rosebury Street
Phillipsburg, NJ 08865

The Bank of New York
385 Rifle Camp Road
West Paterson, NJ 07424

RE: \$13,615,000 NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (WARREN HOSPITAL OBLIGATED GROUP ISSUE) REVENUE BONDS, SERIES 1995

Radian Asset Assurance Inc. (formerly known as Asset Guaranty Insurance Company) (the “*Insurer*”) is the insurer of the above-referenced series of bonds (the “*Bonds*”). The Bonds were issued pursuant New Jersey Health Care Facilities Financing Authority (the “*Issuer*”) General Bond Resolution and the Series Resolution (collectively the “*Resolutions*”) adopted on May 25, 1995. Reference is made to (i) the Master Trust Indenture and First Supplemental Indenture dated as of June 1, 1995 (the “*Indenture*”) between Warren Hospital Obligated Group (the “*Borrower*”) and The Bank of New York, as Trustee; and (ii) the Loan Agreement dated as of June 1, 1995 between the Borrower and the Issuer. Capitalized terms not otherwise defined in this Consent shall have the meaning given such terms in the Resolutions and Indenture.

By letter dated March 2, 2005, the Borrower has requested that the Insurer consent to the adoption of a Supplemental Resolution, in substantially the form delivered to the Insurer on March 2, 2005 and attached hereto as EXHIBIT A (the “*Supplemental Resolution*”). The Insurer, by execution and delivery of this Consent Certificate, consents to the execution and delivery of the Supplemental Resolution.

This Consent Certificate is not evidence of any position by the Insurer, affirmative or negative, as to whether action by the holders of the Bonds is required in addition to the execution of this Consent Certificate by the Insurer. No representation is made by the Insurer as to the necessity for or the satisfaction of any additional consent requirements with respect to the provisions of the Indenture, the Resolutions, the Bonds or any of the other documents executed and delivered by the Issuer, the Borrower, the Trustee in connection with the issuance of the Bonds or otherwise.

RADIAN ASSET ASSURANCE INC.

By: _____
Name:
Title:
Dated:

FORM OF BOND COUNSEL OPINION

[To be provided by Bond Counsel]

WARREN HOSPITAL OBLIGATED GROUP
185 ROSEBURY STREET
PHILLISBURG, NEW JERSEY 08865

New Jersey Health Care Facilities Financing Authority
Station Plaza, Building Four
22 South Clinton Avenue
Trenton, New Jersey 08609

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

Radian Asset Assurance, Inc.
335 Madison Avenue
New York, NY 10017

Ladies and Gentlemen:

Warren Hospital Obligated Group (the "Institution") hereby agrees, to the extent permitted by law, to indemnify and hold harmless the New Jersey Health Care Facilities Financing Authority (the "Authority"), Radian Asset Assurance, Inc. as the Bond Insurer] and The Bank of New York, as trustee (the "Trustee") for the \$13,615,000 aggregate principal amount of the Authority's Revenue Bonds, Warren Hospital Obligated Group Issue, Series 1995 (the "Series 1995 Bonds"), and the officers, officials, members, employees and agents of either of them, from and against any and all losses, claims, damages, liabilities or expenses (including reasonable attorneys' fees) of every conceivable kind, character and nature ("Losses") in any way connected with the execution and consummation of any of the transactions contemplated by the Supplemental Resolution No. 1 proposed to be adopted by the Authority on May 26, 2005 in respect of the Series 1995 Bonds (the "Supplemental Resolution"), provided that with respect to the Trustee the Institution shall not indemnify the Trustee for Losses arising from the Trustee's own gross negligence or wilfull misconduct. The Institution acknowledges that the indemnifications provided by this letter constitute an important inducement to, and a condition of, the adoption of the Supplemental Resolution by the Authority and the consent thereto by the Trustee.

WARREN HOSPITAL OBLIGATED GROUP

By: _____

Name: Jeffrey Goodwin

Title: President and Chief Executive Officer

**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)**

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.