Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on September 23, 2004 on the fourth floor of Building #4, Station Plaza, South Clinton Avenue, Trenton, New Jersey.

The following members, staff, and guests were in attendance:
Noreen White; Carmen Saginario, Jr. (on the telephone), Frieda Phillips, representing the Commissioner of Human Services; Ed Tetelman representing the Commissioner of Health and Senior Services; Mark Hopkins, Dennis Hancock, Jim Van Wart, Steve Fillebrown, Suzanne Walton, Bill McLaughlin, Marji McAvoy, Robin Piotrowski, Lou George, Susan Tonry, Michael Ittleson, Bill Lohman, Barbara Koozin, Carole Conover, Stephanie Zschunke, Authority Staff; Karen Mosner, Kevin Natali, Evergreen Financial Services; Bill Mayer, DeCotis, FitzPatrick, Cole & Wisler; Katherine Newell, Gluck, Walrath & Lanicano; Chris McCann, Jack Swire, Kari Fazio, Wachovia Securities; Bob Harvey, North Fork Bank; David Lundquist, Peter Kysilia, Saint Clare's Hospital; Bob Segin, Bob Osler, Gerry Lowe, Virtua Health, Inc.; Dennis Santo, Roosevelt & Cross; Charlie Lydon, Kevin Connell, Allied Irish Bank; Manny Fernandez, the Treasurer's Office; Victoria Pratt, Authorities Unit; and, Clifford T. Rones, Deputy Attorney General.

CALL TO ORDER
Noreen White 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 the newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post,* far enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

APPROVAL OF MINUTES
Ms. White stated that the minutes for the Authority's August 26, 2004 meeting had been distributed for review and approval. Mr. Tetelman offered a motion to approve the minutes; Ms. Phillips seconded. Ms. White voted yes, Mr. Saginario voted yes, Ms. Phillips voted yes, and Mr. Tetelman voted yes. The motion carried and the minutes were approved.

BOND SALE REPORT
Robert Wood Johnson University Hospital
Dennis Hancock informed the Members that the $50 million Robert Wood Johnson University Hospital financing was priced on September 21, 2004. The variable rate issue has a seven-day reset. Wachovia Bank, the underwriter for the transaction, also provided the letter of credit. The bonds were offered to the market at an initial rate of 1.45% based upon an expectation that the Bond Market Association index for the week would approximate 1.48%. The order period attracted a few New Jersey specific money market funds, retail and money managers. Wachovia

offered to underwrite at the 1.45% level, and after discussions with the Hospital, the Authority accepted.

Mr. Hancock added that interest rates for variable rate paper have been creeping up from the 1% levels previously experienced. On Tuesday the Federal Reserve increased interest rates by .25%, as had been expected. Also impacting short-term rates are certain seasonal factors, such as, corporate tax payments due on September 15th and college tuition requirements. During this period last year, money market funds (the primary buyers of variable rate bonds) had a $7 billion outflow.

INFORMATIONAL PRESENTATIONS

A. Saint Clare's Hospital

Bill McLaughlin began by introducing David Lundquist, Chief Operating Officer, and Peter Kysilia, Chief Financial Officer of Saint Clare's Hospital, Inc. (the "Hospital"). Mr. McLaughlin then described the Hospital, sponsored by the Sisters of the Sorrowful Mother, as a non-profit corporation with four operating divisions (Denville, Dover, Boonton and Sussex) operating 310 acute care beds and 110 behavioral health beds. The Hospital's parent and sole corporate member, Marian Health System, is not party to the obligated group and is not responsible for the repayment of the bonds.

The Hospital requested the Authority's consideration for an issuance of approximately $100,000,000 of bonds, the proceeds of which would be used: to currently refund the Saint Clare's Series 1994 bonds, the Dover General Series 1994 bonds, and the COMP Series 2003 A-4 bonds; to fund the construction and renovation costs for projects including the Emergency Unit at Dover and the Obstetrics Unit and facility upgrades at Denville; to fund the Debt Service Reserve and capitalized interest; and, to pay related costs of issuance.

According to Mr. McLaughlin, the transaction will be structured as a fixed rate financing. Credit ratings have not yet been assigned, however, Standard & Poor's, Fitch and Moody's are expected to issue ratings prior to the sale of bonds. The Hospital is currently in negotiations with both MBIA and Radian Asset Assurance Inc. for the provision of a bond insurance policy for the Series 2004 bonds. Should either of the bond insurers be willing to provide insurance for only a portion of the transaction, another series of bonds could be created.

The financial and utilization information indicates that the Hospital generated increases in net assets from operations of $4.84 million for 2003 and $3.23 million for 2002, following a loss in 2001. Unaudited nine-month interim financial statements show a loss from operations of approximately $1.6 million for the period ended June 30, 2004. The losses were the result of lower than expected volume during the months of May and June of 2004, however, since then volume has normalized. The Hospital forecasts an increase in net assets from operations of approximately $3 million for the year ended September 30, 2004.

Mr. McLaughlin reported that days cash on hand is stable after an increase from 67.28 days for 2002 to 85.50 days for 2003. This increase brings the Hospital in line with statewide median of 89.13 days. Days in accounts receivable increased slightly from 66.83 days in 2002 to 67.13 days in 2003 and remain above the state median of 55.59 days. Debt Service Coverage is stable at 2.15 times versus the state median of 2.31 times. However, the Cushion Ratio is weak at 4.53 times for 2003 versus the statewide median of 7.46 times. Full-time employees per adjusted occupied bed are down from 6.18 in 2002 to 5.81 for 2003.

Mr. McLaughlin added that Annual Inpatient Utilization Trends for the Hospital are positive, showing increasing admissions and inpatient days. Length of stay decreased from 5.26 days in 2002 to 5.05 days in 2003. The occupancy rate on licensed beds rose from 54.84% in 2002 to 56.44% in 2003. Utilization statistics derived from interim financials indicating nine-month performance are consistent with year-end 2003 results.

Mr. Tetelman asked for a status update on the Dover facility, specifically asking whether or not it had been reopened. Mr. Lundquist replied that it had never been closed; there was simply a suspension in acute care during which the facility remained active. Furthermore, with the reactivation of 60 acute care beds the facility is full and functioning above projections, with a hospice unit and 130 skilled nursing beds. Dover has the ability to open additional areas of the facility as occupancy increases. Mr. Kysilia stated that the majority of the bond proceeds would be put towards the refurbishing of the Denville campus for a "complete infrastructure overhaul" including a new parking deck, and renovations to patient and operating rooms.

Mr. Tetelman then asked for an explanation of the volume drop-off experienced in June, to which Mr. Kysilia replied that most of the area hospitals experienced this drop-off, possibly resulting from a milder start to the summer, however, volumes rebounded starting in July. August and September numbers were very strong and, as a result, the Hospital expects to yield higher revenues than was budgeted. Mr. Kysilia confirmed that the Hospital expects its surplus to reach $3 million by the end of the year.

B. Virtua Health Inc.

Lou George began by introducing Bob Segin, Vice President and Chief Financial Officer, Gerry Lowe, Vice President of Finance, and Bob Osler, the Treasury Director, all representing Virtua Health. He then stated that, on behalf of its subsidiaries, Virtua Health requested a financing in an amount of approximately $60 million through the Authority. Virtua Health is comprised of Virtua-Memorial Hospital of Burlington County (a 383-bed licensed acute care hospital) and Virtua-West Jersey Health System (a 571-licensed bed system that operates three acute care hospitals located in Berlin, Marlton, and Voorhees). The proceeds of the financing will be used to: 1) refinance an Authority Capital Asset Loan, 2) fund various new money projects, and 3) pay the related costs of issuance.

Mr. George stated that the new money projects total approximately $45 million and can be further broken down into hard construction costs of $28 million and equipment costs of $17 million. These projects include a new intensive care unit, expanded lobby, and a new wing to house a 24-bed post-interventional care unit at the Marlton campus; interior renovations including an expanded operating room, postpartum unit and pediatric intensive care unit at the Voorhees campus; and interior renovations and restoration work including the completion of an acute care for the elderly medical/surgical unit at the Berlin campus.

The financing is expected to be structured as a variable rate transaction initially issued in a 7-day mode. Credit and liquidity support will be provided by a direct-pay letter of credit from Wachovia Bank. Based upon the bank's rating, the bonds are expected to be rated Aa2/VMIG-1 by Moody's Investors Service.

Turning the Members attention to the Utilization and Statistics page, Mr. George noted that Virtua had an excess of revenues over expenses for all periods shown, however, they did experience a loss from operations during 2003, which they attribute to medical malpractice and employee health insurance expenses, along with a Medicare increased length of stay. The unaudited interim information as of June 30th of this year reflects a financial turnaround.

According to Mr. George, at the end of 2003 Virtua had $143 million in cash and Board-Designated funds, which converts to approximately 104 days cash on hand. That is a low but acceptable liquidity position. Inpatient admissions have remained flat at approximately 47,000 over the last three years.

NEGOTIATED SALE REQUESTS

A. Children's Specialized Hospital

Mark Hopkins stated that Children's Specialized Hospital signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to finance a 135,000 square foot, five-story, 60-bed comprehensive pediatric rehabilitation hospital adjacent and connected to the Bristol-Myers Squibb Children's Hospital and the Child Health Institute in New Brunswick, New Jersey. The project is expected to total approximately $60 million and, with the debt service reserve fund plus costs of issuance and other costs, Children's Specialized Hospital is seeking a total financing of approximately $67 million.

Children's Specialized Hospital, a not-for-profit organization, is an affiliate member of the Robert Wood Johnson Health System. It has facilities in Fanwood, Freehold, Hamilton, Mountainside, Newark, Roselle Park and Toms River. Children's Specialized Hospital, which participated in the Capital Asset Loan Program but currently has no Authority debt outstanding, is licensed by the New Jersey Department of Health and Senior Services as a Comprehensive Rehabilitation Hospital and has received a Certificate of Need to relocate 60 beds from its Mountainside campus to the New Brunswick campus of Robert Wood Johnson University Hospital.

Mr. Hopkins stated that, according to the consolidated audited financial statements provided with the Memorandum of Understanding, the hospital generated increases in net assets of $1,757,153 for the year ended December 31, 2003 and an increase in net assets of $436,487 for the year ended December 31, 2002. Unaudited information for the six months ended July 31, 2004 show continued profitability but in an amount below what was budgeted.

Children's Specialized Hospital asked that the Authority permit the use of a negotiated sale based on it being a complex and poor credit, the large issue size, the complexity of the transaction, the use of programs or financial techniques that are new to investors and the use of variable rate debt. Since these are all considered under the Authority's E.O. #26 policy to be justifications for the use of a negotiated sale, staff recommended approving the use of a negotiated sale and the forwarding of a copy of the justification in support of the resolution to the State Treasurer.

Mr. Hopkins added that the hospital is in negotiations with the State Treasurer regarding the possibility of financial assistance from the State with respect to this financing, though no final decision has been reached. Provided the Authority approves a negotiated sale and insofar as the State provides assistance, the State Treasurer has identified, with the agreement of Children's Specialized Hospital, Morgan Stanley as senior manager for the proposed financing, in accordance with the State Treasurer's procedures pursuant to Executive Order 26. The State Treasurer has advised the Authority that additional assignments may be forthcoming from his office, if needed.

Mr. Tetelman asked why Mr. Hopkins indicated increases in net assets when the summary information provided to the Members shows excesses of expenses over revenue. Mr. Hopkins and Mr. Hancock explained that the increase in net assets includes transfers from the foundation and unrealized gains on investments. Mr. Tetelman expressed concern that the foundation may not provide as much funding as is assumed, to which Mr. Fillebrown stated that the foundation has committed to a large donation for the project.

Mr. Tetelman then noted that approximately half of the hospital's payor mix comes from Medicaid. Mr. Hancock stated that the high percentage of Medicaid patients is one of the reasons the hospital is looking to State aid. Mr. Tetelman suggested there be confirmation that the Medicaid rate being paid is the optimal allowable rate for the facility.

B. Pilgrim River, LLC

Mr. Hopkins reported that Pilgrim River, LLC signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to finance a 100-bed assisted living facility to be known as Avalon at Hillsborough. The project is expected to total approximately $10.6 million and, with capitalized interest, costs of issuance and other costs, Pilgrim River is seeking a total financing of approximately $13 million. Pilgrim River expects to make an equity contribution in the amount of the required debt service reserve fund (expected to be approximately $800,000) or in an amount to secure a letter of credit in lieu of a debt service reserve fund.

Pilgrim River, LLC, a for-profit limited liability company, will be the owner and developer of the project. Pilgrim River is owned in its entirety by the Pelligrino and the Rivera/Dugenio families. The families are also owners of Bridgeway Senior Healthcare, which owns and operates Bridgeway Care Center, The Pavilion at Bridgeway and The Avalon at Bridgewater. The owners of Pilgrim River have been providing senior living services for the past twenty-three years. Pilgrim River Management Company, LLC (a related entity with similar ownership) will operate the project. Pilgrim River has not received financing from the Authority in the past but other entities with common ownership interests have received financing through the Authority.

According to Mr. Hopkins, Pilgrim River will provide the Authority with a feasibility study for the project. Pilgrim River has no audited financial statements because it is a new, single-purpose entity, though the Authority has been provided with audited financial statements from two related entities: Bridgeway, Inc. and Bridgeway Assisted Living, LLC, each of which showed modest increases in net income for each of the last two fiscal years.

Pilgrim River asked that the Authority permit the use of a negotiated sale based on its expected complex financing structure, including those transactions that involve simultaneous sale of more than one series of bonds with each series structured differently. Since this is considered under the Authority's E.O.#26 policy to be justification for the use of a negotiated sale, staff recommended approving the use of a negotiated sale and the forwarding of a copy of the justification in support of the resolution to the State Treasurer. If the Authority approves a negotiated sale, Pilgrim River has completed a competitive process and has identified Herbert J. Sims & Co. as its senior manager.

Mr. Tetelman asked if the new facility plans to accept Medicaid patients, having noted that the Bridgeway Care Center facility does. Mr. Hancock stated that the new facility is obligated to maintain at least 20% of its patient base from low and moderate income residents and, in order to take advantage of tax-exempt financing, will meet all or a portion of this obligation from Medicaid residents. Mr. Hopkins confirmed for Ms. Phillips that the facility submitted an application for a Certificate of Need in July of 2004.

Ms. White asked for a motion for the first of the two proposed negotiated sale requests. Mr. Tetelman moved to approve the pursuit of a negotiated sale on behalf of Children's Specialized Hospital; Ms. Phillips seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. EE-32
(attached)

Ms. Phillips then moved to approve the pursuit of a negotiated sale on behalf of Pilgrim River, LLC. Ms. White seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. EE-33
(attached)

Mr. Tetelman offered a motion to adopt a reimbursement resolution on behalf of the for-profit Pilgrim River; Ms. Phillips seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. EE-34
(attached)

AUTHORITY EXPENSES

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

AB RESOLUTION NO. EE-35

WHEREAS, the Authority has reviewed memoranda dated September 23, 2004, 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 $705,516.95, $56,335.24 and $17,825.93 respectively, and has found such expenses to be appropriate;

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

STAFF REPORTS

Ms. White referenced staff reports that were distributed for review, including the Project Development Summary, Interest Rate Trends Graph, Cash Flow Statement, and Legislative Advisory. There were no questions and Ms. White thanked staff for preparing the reports.

Mr. Hopkins then began his Executive Director's report by stating that he recently met with representatives from the firms Roosevelt & Cross and Parente Randolph, both of which are interested in representing health care organizations in Authority transactions. Mr. Hopkins added that, next week, he and Steve Fillebrown will attend a conference in Indianapolis sponsored jointly by the National Association of Higher Educational Facilities Authorities and the National Council of Health Facilities Finance Authorities in Indianapolis. He concluded his report by introducing new Authority Administrative Assistant, Barbara Koozin, and announcing that Anthony Gennari recently enjoyed his 5th anniversary of service with the Authority.

EXECUTIVE SESSION

As permitted by the Open Public Meetings Act and the Authority's By-Laws, the Members voted to meet in Executive Session to discuss contractual matters and to receive advice from the office of the Attorney General. Ms. White stated that the results of the discussion would be made known at such time as the need for confidentiality no longer existed. Mr. Tetelman offered a motion to enter the session; Ms. Phillips seconded it. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. DD-36

NOW, THEREFORE, BE IT RESOLVED*,* that, as permitted by the Open Public Meetings Act and the Authority's By-Laws, the Authority Members meet in Executive Session to discuss 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.

ADJOURN

As there was no further business to be addressed, Mr. Tetelman moved to adjourn the meeting, Ms. Phillips seconded. The vote was unanimous and the motion was carried at 11:26 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 SEPTEMBER 23, 2004.

Dennis Hancock
Assistant Secretary

EXECUTIVE SESSION
AUTHORITY MEETING

ATTENDEES: Noreen White; Carmen Saginario, Jr. (on the telephone), Frieda Phillips, representing the Commissioner of Human Services; Ed Tetelman representing the Commissioner of Health and Senior Services; Mark Hopkins, Dennis Hancock, Susan Tonry, Jim Van Wart, Steve Fillebrown, staff; Clifford R. Rones, Deputy Attorney General; Manny Fernandez, Treasurer's Office; and, Victoria Pratt, the Authorites Unit.

1) <u>CONTRACTUAL MATTERS</u>
Authority Members and select staff discussed the following credits:
- St. Joseph's Wayne Hospital
- Pascack Valley Hospital
- Columbus Hospital
- Englewood Medical Center
- Barnert Hospital
- Care Institute, Inc.
- Deborah Heart and Lung Center
- Raritan Bay Medical Center
- Jersey City Medical Center
- East Orange General Hospital
- Christ Hospital/Bon Secours

2) <u>ADVICE FROM THE ATTORNEY GENERAL'S OFFICE</u>
Advice was requested with regard to correspondence to be sent to bond trustees regarding Princeton Insurance Company.

As there was no further business, Mr. Tetelman made a motion to exit the session; Ms. Phillips seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. EE-32

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

Children's Specialized Hospital

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

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

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

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

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

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

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

WHEREAS, Children's Specialized Hospital has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the "Financing"); and,

WHEREAS, Children's Specialized Hospital has requested that the Authority consider approving the pursuit of a negotiated sale; and,

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

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

WHEREAS*,* Children's Specialized Hospital is considering the use of programs or financial techniques that are new to investors; and,

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

WHEREAS, Children's Specialized Hospital is considering the issuance of variable rate bonds for all or a portion of the Financing; and,

WHEREAS, the Authority is desirous of being responsive to Children's Specialized Hospital's request; and,

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

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

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

AB RESOLUTION NO. EE-33

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

Pilgrim River, LLC – Avalon at Hillsborough

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, Pilgrim River, LLC – Avalon at Hillsborough has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the "Financing"); and,

WHEREAS, Pilgrim River, LLC – Avalon at Hillsborough has requested that the Authority consider approving the pursuit of a negotiated sale; and,

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

WHEREAS, the Authority is desirous of being responsive to Pilgrim River, LLC – Avalon at Hillsborough'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. EE-34

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

RESOLUTION AUTHORIZING PILGRIM RIVER LLC TO REIMBURSE EXPENDITURES FOR PROJECT COSTS FROM PROCEEDS OF DEBT OBLIGATIONS

WHEREAS, the New Jersey Health Care Facilities Financing Authority ("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 ("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;

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;

WHEREAS, Pilgrim River LLC (the "Borrower"), a New Jersey limited liability company, and a "health care organization" (as defined in the Act) is undertaking a project, consisting of (i) the construction and equipment of a 97-bed assisted living facility located in Hillsborough, New Jersey; (ii) the funding of capitalized interest for a period of approximately fourteen (14) months; and (iii) the payment of costs incurred in connection with the issuance and sale of the Project Bonds (as hereinafter defined) (collectively, the "Project");

WHEREAS, the Borrower reasonably expects to finance the Project on a long-term basis with proceeds of a loan made to the Borrower by the Authority, or some other qualified issuer;

WHEREAS, the Borrower may pay for certain costs of the Project ("Project Costs") with funds of the Borrower that are not borrowed funds prior to the time such loan is made to the Borrower by the Authority and prior to the time interim debt, if any, is incurred by the Borrower for Project Costs;

WHEREAS, the Borrower reasonably anticipates that the Authority will finance its loan to the Borrower with obligations of the Authority (the "Project Bonds") the interest on which is expected to be excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of Federal income taxation; and

WHEREAS, the Borrower desires to preserve the right to treat an allocation of proceeds of the Project Bonds, and any interim borrowing of the Borrower, to the reimbursement of Project Costs paid prior to the issuance thereof as an expenditure for such Project Costs to be reimbursed for purposes of Sections 103 and 141-150 of the Code.

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

Section 1. The Authority reasonably expects the Borrower to reimburse itself for the expenditure of Project Costs paid prior to the issuance of the Project Bonds, and any interim borrowing of the Borrower, with proceeds of the Project Bonds.

Section 2. This resolution is intended to be, and hereby is, a declaration of the Authority's official authorization for the Borrower to reimburse itself for the expenditure of Project Costs paid prior to the issuance of the Project Bonds, and any interim borrowing to be incurred by the Borrower, with proceeds of such debt, in accordance with Treasury Regulations Section 1.150-2; provided, however, that the adoption by the Authority of this resolution shall not obligate the Authority to take any further action with respect to the Project Bonds, the Borrower or the matters discussed herein.

Section 3. The maximum principal amount of the Project Bonds, or interim debt of the Borrower, if any, expected to be issued to finance the Project Costs, including amounts to be used to reimburse the expenditure of Project Costs that are paid prior to the issuance of the Project Bonds and interim debt of the Borrower, if any, is $14,000,000.

Section 4. The only Project Costs that will be reimbursed with the proceeds of the Project Bonds, or any interim borrowing of the Borrower, will be capital expenditures (within the meaning of Treasury Regulations Section 1.150-1), or costs of issuing the Project Bonds or any interim borrowing used to finance Project Costs.

Section 5. No reimbursement allocation will employ an "abusive arbitrage device" under Treasury Regulations Section 1.148-10 to avoid the arbitrage restrictions or to avoid the restrictions under Sections 142 through 147 of the Code. The proceeds of the Project Bonds used to reimburse the Borrower for Project Costs, or funds corresponding to such amounts, will not be used, within one year after the reimbursement allocation, in a manner that results in the creation of "replacement proceeds", including "sinking funds", "pledged funds", or funds subject to a "negative pledge" (as such terms are defined in Treasury Regulations Section 1.148-1), of the Project Bonds or another issue of debt obligations of the Borrower, other than amounts deposited into a "bona fide debt service fund" (as defined in Treasury Regulations Section 1.148-1).

Section 6. No reimbursement allocations will occur later than 18 months after the later of (i) the date the expenditure from a source other than the Project Bonds is paid, or (ii) the date the portion of the Project with respect to which the reimbursed cost was paid is "placed in service" (within the meaning of Treasury Regulations Section 1.150-2) or abandoned, but in no event more than 3 years after the expenditure is paid.

Section 7. This resolution 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 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.