

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on October 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 (Chair); Gus Escher, Public Member; Moshe Cohen, Public Member; Ulysses Lee, Public Member (via telephone); Maryann Kralik, Designee of the Commissioner of Banking and Insurance; and Eileen Stokley, Designee of the Commissioner of Human Services.

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

Mark Hopkins, Dennis Hancock, Jim VanWart, Steve Fillebrown, Michael Ittleson, Suzanne Walton, Susan Tonry, Lou George, Bill McLaughlin, Ron Marmelstein, Mae Jeffries-Grant, and Stephanie Bilovsky.

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

Edward Tetelman, Department of Health and Senior Services; Garrick Stoldt, Francine Katz, Saint Peter's University Hospital; Jeffrey Goodwin, Carl Alberto, Jeff Kelly, Warren Hospital; John Dellocono, CentraState Assisted Living; Jeff Kramer, Decotiis, Fitzpatrick, Cole & Wisler; Scott Kobler, McCarter & English; Kay Fern, Evergreen Financial Advisor; Jan Blazewski, Cain Brothers; John Brodsky, Fairmount Capital Advisors; Maryann Kicenuik, Windels Marx Lane & Mittendorf; John Kelly of Wilentz, Goldman & Spitzer; Howard Eichenbaum, Gluck Walrath; Bette Kraus, Justin Gordon, Goldman Sachs; Gregory Tears, John Scally, Drinker Biddle & Reath; Kent Pieri, Sovereign; Kari Fazio, Wachovia; Sharon Price-Cates, Governor's Authorities Unit; and, Cliff Rones, Deputy Attorney General.

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 May 24, 2007 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

September 27, 2007 Authority Meeting

Dr. Cohen wanted to propose a change to the Authority's September 27, 2007 meeting minutes; this discussion was then tabled until later in the meeting.

TEFRA HEARING & CONTINGENT BOND SALES

Dr. Jacobs announced that, as required by the Tax Reform Act of 1986, the following portion of today's meeting will be considered a public hearing in connection with proposed transactions on behalf of Saint Peter's University Hospital and Warren Hospital.

A. *Saint Peter's University Hospital*

Suzanne Walton began by introducing Francine Katz, Vice President and Legal Counsel, and Garrick Stoldt, Chief Financial Officer for Saint Peter's University Hospital ("Saint Peter's"). Ms. Walton then informed the Members that today she would be requesting approval of a contingent sale of bonds on behalf of Saint Peter's University Hospital Obligated Group in an amount not to exceed \$145 million.

Ms. Walton stated that the proceeds of the bonds, together with other funds, will be used to: (i) renovate existing public and patient care areas at the facility, (ii) reimburse Saint Peter's for various equipment and furnishings including a portion of the costs related to the purchase of an information technology system, (iii) advance refund the Authority's Series 2000A Bonds, (iv) currently refund the remaining portion of the Authority's Series F Bonds issued in 1993, (v) fund a deposit to the Debt Service Reserve Fund, (vi) fund capitalized interest on a portion of the bonds, and (vii) pay the related costs of issuance.

She stated that the Series 2007 bonds will be sold as a fixed rate public offering. They will be uninsured and sold on the credit of Saint Peter's. She reminded the Members that Moody's Investor Services had recently downgraded the hospital's credit rating from Baa1 to Baa2, and the existing triple B rating from Standard & Poor's is currently under review.

Ms. Walton informed the Members that management had submitted five-year projections for the period 2007 through 2011 which had been reviewed by staff and included with the Members' mailing material.

SERIES RESOLUTION

Maryann Kicenuik, Esq., of Windels Marx Lane & Mittendorf, LLP stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2007 Bonds in an aggregate principal amount, exclusive of original discount, not in excess of \$145,000,000 and at a true interest cost not to exceed 7.5% and an Underwriter's Discount not to exceed \$10.00 per \$1,000 of Series 2007 Bonds. The Series 2007 bonds will have a final maturity date of no later than July 1, 2037 and the Redemption price on the Bonds will not exceed 105%. The Series 2007 Bonds are payable solely from payments made by Saint Peter's and Margaret McLaughlin McCarrick Care Center, Inc. under a Loan Agreement and from certain funds and investment income held by the Trustee under the Series Resolution. The obligation to repay the loan of the Series 2007 bond proceeds will be evidenced by a Note issued under a Master Trust Indenture. The Note will be secured by a pledge of gross receipts and mortgages on certain properties.

In addition, the Series Resolution approves the form of and authorizes the execution of a Bond Purchase Contract prior to close of business on December 17, 2007. The Series Resolution also approves the form of the Bonds, Preliminary Official Statement, Official Statement, Loan Agreement and Letter(s) of Instruction. The Series Resolution also appoints U.S. Bank National Association as Trustee, Bond Registrar and Paying Agent for the Series 2007 Bonds. In addition, it authorizes the Authorized Officers to execute and deliver documents and to take action as may be necessary or appropriate to effectuate the execution and delivery of the Loan Agreement, the Bond Purchase Contract and the issuance and sale of the Series 2007 Bonds.

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

AB RESOLUTION NO. HH-59

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Series Resolution entitled, "A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, SAINT PETER'S UNIVERSITY HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2007."

Ms. Katz noted that it had taken a long time to get to this point. She said, on behalf of the hospital, that they are pleased and excited to have this sale approval granted, and she thanked the Authority staff and the consultants for their hard work and diligence with this transaction. Dr. Jacobs thanked the hospital representatives for attending and wished them luck with the sale.

B. Warren Hospital

Bill McLaughlin began by introducing Jeffrey Goodwin, President and Chief Executive Officer, and Carl Alberto, Vice-President and Chief Financial Officer of Warren Hospital ("Warren"). Following the introduction, Mr. McLaughlin reminded the Members that today he would be requesting approval of a contingent sale of bonds on behalf of the Warren Hospital Obligated Group.

He said that the proceeds of Series 2007A and 2007B (Federally Taxable) will be used to: refund the Authority's Radian insured Series 1995 bonds; refund the Authority's Series 2002 Private Placement with Commerce Bank, N.A.; refinance a term loan, mortgage loan and letter of credit all with Commerce Bank, N.A.; reimburse the Hospital for capital expenditures; fund the Debt Service Reserve; and pay related costs of issuance.

Mr. McLaughlin stated that the financial projections provided by the Hospital were included with the mailing materials and that, although Authority policy does not require a formal presentation of these projections for this type of project, Steve Fillebrown would present the financial projections due to their relative complexity.

Mr. Fillebrown noted that there are two sets of projections: one with the Obstetrics Unit ("OB") closed since the hospital is currently applying for its closure and one with it up and running. The forecast period is 2008 to 2012.

Projections Results

Assuming OB closes, the results show:

- positive operating margins, though steadily declining from 5.8% to 1.4% throughout forecast period,
- positive profit margins, though steadily declining from 3.2% to 0.6% during forecast period,
- days cash on hand increasing from 69 to 103 (below 10 at time of bond issue – reflects reimbursement for prior expenditures), and
- a debt service coverage ratio ("DSCR") going from 2.02 in 2008 down to 1.63 in 2012.

Assuming OB stays open, the results show:

- operating margins start positive but decline from 4.2% to -0.3%,
- profit margins start positive but decline from 1.6% to -1.3,
- days cash starts at 60, rises slightly to 68, then declines back down to 64, and
- DSCR decreasing from 1.88 in 2008 to 1.42 in 2012.

Mr. Fillebrown stated that the difference between the two is essentially \$1.5 million to \$2.2 million less in operating income each year. Specifically, the projections show \$3 million more in revenue with the OB open, but \$4.5 million to \$5 million more in expenses.

Key Assumptions

Mr. Fillebrown then outlined the key assumptions used for the projections. In terms of **volume**, the projections assume that:

- inpatient admissions increase by 1%, except in the OB closure scenario, which shows a 9% drop in 2008 reflecting ceasing of OB admissions,
- outpatient services increase by 3.4% in 2008 and 2.0% increase for 2009 through 2012, and,
- length of stay that remains flat.

Mr. Fillebrown noted that these are generally on the low/conservative side of what the Authority usually receives for projections.

In terms of **expenses**, the projections assume that both salaries and non-salary expenses increase by 3.0%. Mr. Fillebrown noted an exception in that there is some reduction in 2008 under the OB closure scenario. Full-time employees are also assumed to remain stable (though not in the closure of the OB scenario), which is consistent with low volume increases. Mr. Fillebrown noted that these inflation factors are at the low end of what the Authority usually receives for projections.

In terms of **revenues**, the projections assume that:

- net patient service revenue (“NPSR”) rises by 1.1% to 1.9% per year.
- there is no change in payer mix,
- interest on investments increases by 10%,
- the subsidy to the Medical Office Building decreases due to annual increases in the amount of space leased, and
- losses on physician practices decrease by about 10% per year, due to efficiency improvements such as electronic health records, and reduced clerical help.

Mr. Fillebrown noted that, while the NPSR increase is on the low side, it reflects the major change in Medicare wage index (\$2,250 in 2008 and \$5,000 thereafter). The 10% increase in interest on investments is higher than the Authority typically receives in projections.

In terms of **cash**, the projections assume that:

- a settlement occurs with OIG for Medicare overpayments, which was booked in 2006 but outlays cash in varying amounts during the projection period, and
- the Medical Office Building is refinanced in 2008 generating \$7 million to \$4 million, the savings of which would be used to reduce accounts payable and to add \$3 million to cash reserves.

Ms. Stokley asked how the hospital accounted for volume growth with the closing of the OB. Mr. Alberto noted that, in the year of the OB's closing, Warren projects losing 9% volume. The following year, however, Warren expects to see a 1% increase in volume over the previous year. This 1% increase is the result of population growth and an increased share in the Pennsylvania market.

Mr. Escher asked for an update on the status of the request to close the OB, to which Mr. Kelly stated that the application for closure had been submitted to the State. Last week, the State requested additional information; Warren is in the process of providing the State with this information and hopes to have a 60-day turn around on the closure approval process.

Dr. Cohen asked if there are any assumptions made in the projections that staff found questionable. Mr. Fillebrown noted that staff is not experienced in the area of evaluating the validity of assumptions for a given borrower's circumstances. He could, however, describe how the assumptions measure up to assumptions usually seen by staff in financial projections. He noted that the volume increase in both inpatient and outpatient services is very conservative. The 3% increase in expenses, though, is low compared to other submitted financials, which usually show an increase of about 5 to 6%. The revenue projections are conservative at 1.1% to 1.9% versus the usual 3% to 7%; however, the Medicare Wage Index adjustment used for these revenues may or may not come to fruition. Staff hadn't seen projections assuming those adjustments before so there is nothing for staff's comparison. Interest earnings seem a bit aggressive at 10% since staff usually sees a projected increase of around 5%. Mr. Fillebrown added that the leasing assumptions, too, are non-traditional, therefore, staff has nothing with which to compare projected increases in that area.

Mr. Hancock noted that, though the Authority staff may not be in a position to evaluate the projections, there is one aspect that may be viewed as a concern. While on a one-to-one comparison with other projections Warren's percentages may be comparable or conservative, over the projection period, the decreasing trend in profit margin is unusual. He stated that the hospital's response to this has been that the projections are very conservative. Mr. Hancock stated that perhaps the Members would want to hear what policies and practices Warren would be willing to implement to improve its financial standing if "worst case scenarios" played out.

Mr. Alberto explained that the hospital feels the revenues projected are ultra conservative because the assumptions reflect a worst case scenario for Medicare where Warren goes from the New York Wage Index to the Pennsylvania Wage Index. He stated that Warren learned through discussions with the New Jersey Congressional Delegation that there is pending legislation in Washington D.C. to extend the Section 508 Wage Index, which will benefit Warren by another \$5 million.

He added that, even if that Section 508 Wage Index is not extended as he stated, Centers for Medicaid Services has mandated that they will revise their index formula to regional indexing which will definitely benefit Warren. So the \$5 million decreased revenues in 2009, is very unlikely. However, in the "worst case scenario," where Congress is inactive and CMS does not alter their wage indexing, thereby leaving Warren in the Pennsylvania category in 2009

which is when the operating margin starts to erode in these projections, Warren would enact additional measures and cost reductions.

One area the hospital would consider cutting services for cost savings would be the psychiatric services, since Medicare is reducing the reimbursement for such services, effective October 1, 2008. At that point, Warren will go to a fully prospective DRG reimbursement system; it is currently being reimbursed for psychiatric services on a cost base, and as that changes, the margins for these services becomes completely eroded. With the benefit of the wage index, however, Warren would not have to take that measure. He added that the only cost saving measures reflected in the projections are those that are already being implemented in 2007.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer, P.A. stated that the Bond Resolution authorizes the issuance of tax-exempt Series 2007A Bonds in an aggregate principal amount not in excess of \$40,000,000 and the issuance of the federally taxable Series 2007B Bonds in an aggregate principal amount not in excess of \$13,000,000. The Series 2007A Bonds will bear interest at a fixed rate to maturity and will be issued at a true interest cost not exceeding 7.50%. The Series 2007A Bonds will have a final maturity date of no later than July 1, 2038 and will be subject to redemption prior to maturity as set forth therein, provided, that the redemption price will be no greater than 103%. The Series 2007B Bonds will bear interest at a fixed rate to maturity and will be issued at a true interest cost not exceeding 9.50%. The Series 2007B Bonds will have a final maturity date of no later than July 1, 2038 and will be subject to redemption prior to maturity as set forth therein, provided, that the redemption price would be no greater than 103%.

The Series 2007 Bonds will be secured by payments made by the Warren Hospital Obligated Group under the Loan Agreements, as evidenced and secured by Notes issued pursuant to the provisions of a Master Trust Indenture and applicable Supplemental Indentures and by a Mortgage and Security Agreement on certain property pledged by the Warren Hospital Obligated Group. In addition, certain funds and accounts established pursuant to the Trust Agreement under which the Series 2007 Bonds are to be issued will serve as additional security.

The Bond Resolution approves the form of and authorizes the execution of a separate Bond Purchase Contract for each Series of Bonds prior to close of business on January 23, 2008. The Bond Resolution further provides that no printing or distribution of the Preliminary Official Statement or any other disclosure or marketing document relating to the Series 2007 Bonds shall take place, nor shall any marketing efforts by the Underwriters relating to the Series 2007 Bonds take place, unless and until the Authority shall have received (i) a copy of an executed "final" agreement between the Hospital and the United States Department of Health and Human Services, Office of the Inspector General, settling all civil claims against the Hospital relating to the cost outlier payments and physician transactions, which final settlement agreement shall contain terms and provisions which are not materially different (as determined by the Executive Director of the Authority in his sole discretion) from the terms and provisions of the settlement which have previously been described and represented to the Authority by the Hospital, and (ii) a certificate signed by the chief executive officer and chief financial officer of the Hospital stating that the Hospital is not delinquent in the payment of any payroll taxes owed to the United States of America or the State of New Jersey, and that all other representations and warranties of the Hospital contained in the Loan Agreements are true and correct as of the date of such certificate.

The Bond Resolution also approves the form of the Series 2007 Bonds, Preliminary Official Statement, Official Statement, Trust Agreement, Escrow Deposit Agreement and the two Loan Agreements. The Bond Resolution appoints The Bank of New York as Bond Trustee, Bond Registrar and Paying Agent for the Series 2007 Bonds. In addition, it authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Bond Purchase Contract, the Loan Agreement and the Trust Agreement and the issuance and sale of the Series 2007A and 2007B Bonds.

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

AB RESOLUTION NO. HH-60

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Bond Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, WARREN HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2007A AND WARREN HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2007B (FEDERALLY TAXABLE)."

Mr. Goodwin thanked the Authority staff and Members for their help in approving this transaction. Dr. Jacobs wished them luck with the sale and then closed the public hearing required by the Tax Reform Act of 1986 on behalf of Saint Peter's University Hospital and Warren Hospital.

NEGOTIATED SALE REQUEST

Robert Wood Johnson University Hospital

Mark Hopkins reported that Robert Wood Johnson University Hospital ("RWJUH") signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing in the approximate amount of \$205 million. The proceeds of the financing will be used to refund approximately \$130 million in bonds and to fund the purchase of approximately \$40 million in major movable equipment (largely cardiovascular equipment) and the related construction/fit-out costs. The proceeds also account for: \$11 million to fund the construction and equipping of inpatient and ambulatory endoscopy suites; \$8 million for upgrades to the electrical and HVAC system; and, \$5 million for general renovations. Bond proceeds are also expected to be used to pay costs of issuance and fund a debt service reserve fund.

RWJUH, a New Jersey not-for-profit corporation operating a 583-bed academic medical center in New Brunswick, currently has a total of approximately \$206.4 million of outstanding Authority bonds.

Mr. Hopkins reported that RWJUH asked that the Authority permit the use of a negotiated sale based on: (i) the sale of a complex financing structure including those transactions that involve the simultaneous sale of more than one series with each series structured differently; (ii) volatile market conditions; (iii) the large issue size; and (iv) the expected use of variable rate debt. Since these reasons are considered under the Authority's policy regarding Executive Order #26 to be a justification for the use of a negotiated sale, staff

recommended approving the use of a negotiated sale and forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Escher moved to approve the pursuit of a negotiated sale on behalf of RWJUH and to approve the forwarding of a copy of the justification in support of said resolution to the State Treasurer. Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-61

(attached)

AMENDMENT TO SERIES RESOLUTION

CentraState Assisted Living

After introducing John Dellocono, Senior Vice President of Finance of CentraState, Ron Marmelstein reported that CentraState Assisted Living (“CentraState”) closed a private placement issue with the Authority in 1998 at a fixed rate of 4.57% for the first ten years with a reset date of November 1, 2008.

CentraState requests an Amendment to the Series 1998 Series Resolution and Loan and Security Agreement and Mortgage to permit changing the automatic interest rate reset date to November of this year in order to take advantage of the low rates currently available. CentraState is also requesting that the assignee be changed from Bank of America, N.A., to Bank of America Public & Institutional Financial Funding, LLC. Thirdly, CentraState requests that the resolutions be amended to provide that the bonds be subject to optional redemption on a sliding scale prior to November 1, 2011.

Bank of America Public & Institutional Financial Funding, LLC. will set the interest rate for the Series 1998 bonds at 4.37%, commencing on November 1, 2008 and continuing through maturity on November 1, 2018. The interest rate reduction from 4.57% to 4.37% will yield a substantial savings for CentraState.

Jeff Kramer, bond counsel assigned to this transaction, prepared all the necessary documents as well as an opinion of bond counsel. Bank of America (the current sole holder of the bonds) and Bank of America Public & Institutional Financial Funding (the new holder of the bonds) both consented in writing to this request. In addition, the Attorney General’s office reviewed the resolutions with no objection.

Ms. Stokley moved to approve the Amendment to the Series Resolution on behalf of CentraState Assisted Living, as recommended by staff. Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-62

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves, on behalf of CentraState Assisted Living, the “SECOND SUPPLEMENTAL RESOLUTION AMENDING THE SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, CENTRASTATE ASSISTED LIVING ISSUE, SERIES 1998 ADOPTED ON SEPTEMBER 25, 1998 AND AUTHORIZING THE AMENDMENT OF THE LOAN AND SECURITY AGREEMENT AND MORTGAGE AND THE AMENDMENT AND RESTATEMENT OF THE BONDS” and the “SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT AND MORTGAGE.”

HUD “NON-OBJECTION” REQUEST

Englewood Hospital

Dr. Jacobs reported that, earlier this week, Members were notified that United States Department of Housing and Urban Development (“HUD”) has requested that the Authority indicate whether it objects to the construction of a new emergency department on Englewood Hospital property. The property in question is owned by Englewood Hospital and is subject to an Authority mortgage that is insured by the FHA. Non-objections are largely a technicality that HUD has been requesting in recent years. Because a new emergency department will only add value to the Authority’s mortgage, staff recommends granting the non-objection.

Ms. Stokley moved to grant a statement of non-objection to HUD with respect to the proposed construction of a new emergency department on Englewood Hospital property. Dr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-63

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby authorizes the Executive Director or the Deputy Executive Director to deliver and execute documents indicating to the United States Department of Housing and Urban Development that the Authority “does not object” to the construction of a new emergency department on Englewood Hospital property.

AMENDMENTS TO LOAN DEADLINE AND CONDITIONS

Bayonne Medical Center

Dr. Jacobs stated that, after yesterday's bankruptcy hearing for Bayonne Medical Center (“BMC”), staff would like to recommend two amendments to the conditions of approving the \$2.5 million loan agreement. The first involves the deadline by which the bankruptcy court must identify a purchaser, which had originally had been October 26th.

Mr. Hopkins reported that, on October 24th, the bankruptcy judge heard testimony about two potential purchasers who were close to being adequate in the eyes of both the debtor and the creditors. The court concluded that it would be in the best interests of the bankruptcy estate to permit the potential purchasers to continue revising their offers and rescheduled the auction date for October 31, 2007. It is still possible that the auction may not result in a purchaser satisfactory to the bankruptcy court, however, if the bankruptcy court approves a purchaser after the auction, it is expected that BMC will need additional funds to continue its operations until a transaction with the purchaser can be completed.

Because the court rescheduled the auction date for October 31, 2007, staff recommended postponing the deadline by which the bankruptcy identifies a purchaser to November 2, 2007 with two possible one-week extensions to November 16, 2007 at the discretion of the Executive Director with the advice of the Attorney General’s office. Mr. Hopkins noted that the one-week extensions proposed are due to the fact that FSA, the bond insurer, has agreed to the November 2nd extension. Should further extension be requested, and should FSA agree to one or both of the one-week extensions, the Authority would like to be able to facilitate the extensions. The extensions would not be granted without approval from FSA.

Ms. Stokley moved to extend the purchaser identification deadline for the BMC loan to November 2, 2007, with two possible one-week extensions to no later than November 16, 2007,

to be made at the discretion of the Executive Director with the advice of the Attorney General's office. Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-64

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby extends the purchaser identification deadline for the Bayonne Medical Center loan to November 2, 2007, with two possible one-week extensions to no later than November 16, 2007, to be made at the discretion of the Executive Director with the advice of the Attorney General's office.

Dr. Jacobs then stated that the second item related to Bayonne Medical Center relates to the level of security the Authority would receive from the bankruptcy estate as a condition of approving the loan.

Mr. Hopkins reminded the Members that the loan approved on October 19th was conditioned by the fact that the Authority receive security for the loan in the form of either: (a) an equal security interest in the mortgage and other security (pari passu) under the debtor-in-possession financing provided to BMC by Kimco; or (b) a priority security interest second to Kimco on the mortgage and other security that secures the DIP loan.

Mr. Hopkins noted that the first scenario for the loan (letter "a" above) is unlikely since Kimco has not consented to sharing equal security under the debtor-in-possession financing. He noted that staff would like to amend the conditions of the second scenario (letter "b" noted above), so that the Authority receives a third security interest behind both Kimco and FSA but prior to any other creditor, when the proposed purchaser identified by the bankruptcy court agrees to assume the Authority's loan, rather than requiring a second security interest in the mortgage and other security pledged to Kimco under the debtor in possession loan. Mr. Hopkins added that, at this point, both potential purchasers of BMC have expressed a commitment to assuming the Authority's loan.

Mr. Hopkins stated that the primary risk for the loan scenario occurs in the event that the bidder selected by the bankruptcy court were not able to consummate the acquisition. If this were to occur, Kimco is expected to sell the property. Kimco would receive the first \$18.8 million, earned on the property. Under the amended condition, proceeds beyond \$18.8 million would go first to cover FSA's credit and then, thirdly, to repay the Authority. Mr. Hopkins stated that he feels the Authority has a moral obligation to do what it can to protect FSA's investment as bond insurer; the Authority should ensure that any loan it makes to BMC does not infringe on FSA's security.

It was noted that, at this point, experts suggest that FSA's accounts receivables holdings have diminished by approximately \$1 million. In the event that there is no purchaser identified for BMC, the amount by which these accounts receivable holdings have diminished is the amount that would be paid to FSA after Kimco's sale of the property and before repayment to the Authority.

Mr. Escher noted that the risk of no purchaser being identified seems somewhat remote. Mr. Hopkins stated that, he was favorably impressed with the two bidders, adding that the creditors appeared to be favorably impressed as well, or else they would have strongly objected to extending the auction period. Both appeared to be serious bidders demonstrating access to substantial funds for the purchase. This, however, does not guarantee that the bankruptcy court will identify a purchaser.

Mr. Escher moved to amend the conditions under Scenario Two so that when a proposed purchaser identified by the bankruptcy court agrees to assume the Authority's loan, the Authority will approve the loan with the Authority having third security interest behind both Kimco and FSA but prior to any other creditor. Ms. Stokley seconded. Dr. Jacobs voted yes; Mr. Escher voted yes; Dr. Cohen voted yes; Mr. Lee voted yes; Ms. Kralik abstained; and Ms Stokley voted yes. The motion carried.

AB RESOLUTION NO. HH-65

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby amends the "RESOLUTION AUTHORIZING A LOAN FROM THE NEW JERSEY HEALTH CARE FACILITIES FUND BALANCE TO BAYONNE MEDICAL CENTER" (*attached as the updated amended version*) to amend the conditions, under the second scenario.

Expedited Review

Mr. Hopkins noted that failure to issue the loan on or about November 2nd may result in BMC's inability to continue its operations past November 3rd and until a transaction can be consummated with a purchaser. In order for BMC to receive the loan on or about November 2nd, the Authority would need the Governor's affirmative approval of the loan by November 1, 2007. Mr. Escher then made a motion authorizing the Assistant Secretary to execute a certified copy of minutes from the portion of the meeting related to BMC to be forwarded to the Governor for his consideration of these actions; Ms. Stokley seconded. The vote was unanimous and the motion carried.

MODIFICATION TO THE QUALIFIED BANKERS LIST

Dr. Jacobs noted that staff received a statement of qualifications from Stifel Nicklaus & Co. and found the firm to be qualified for the requested positions of senior manager, placement agent, co-manager, and remarketing agent. Ms. Stokley moved to add Stifel Nicklaus & Co. to the Authority's Qualified Banker's List, in the professional capacities recommended by staff; Dr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-66

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the addition of Stifel Nicklaus & Co. to the Authority's Qualified Banker's List, permitting their services in the following capacities: Senior Manager, Placement Agent, Co-Manager, and Remarketing Agent.

PROCUREMENT PROCEDURE EVALUATION COMMITTEE

Report From E.O. #34 Committee

As Chairman of the Authority's Procurement Procedure Evaluation Committee, Mr. Escher updated the Members on the status of the Committee's efforts relating to Executive Order No. 34, which deals with "overcoming the factors that have operated to prevent or inhibit participation by small business enterprises in the procurement opportunities offered by the State."

A. *Underwriters*

Mr. Escher reminded the Members that the Committee had previously recommended, and the Authority approved, a change in procedure regarding a requirement for an underwriting firm to be listed as a potential Senior Manager on the Authority's approved list. Specifically, the Authority changed its procedure from requiring that a firm have senior-managed at least one health care bond transaction to requiring that a firm have senior-managed any bond transaction. The Authority notified all of the non-senior-managing underwriters on the list and updated the list based upon responses from those firms.

Regarding the designation policy for underwriting services, Mr. Escher stated that the Committee finds Bond Designation to be a key tool to enhance the participation of small firms in the Authority's bond issues. The current procedure is to inform the Senior Manager that the Authority wants a "fifty percent / minimum of three" format for designations by buyers. There was concern that this practice can result in excess compensation to Co-Managers, who only sell bonds, and a decrease in the fees paid to Senior Managers, who not only sell bonds but also put the entire deal together.

The Authority has two large transactions approaching, each with specific interest in changing this policy. Therefore, the Committee decided to use the opportunity presented by these two transactions to solicit specific recommendations from the underwriters for different designation structures. These two transactions will then use newly recommended structures, and the Committee will review their effectiveness.

B. *Authority Vendors*

Mr. Escher stated that, based upon presentations made to the Authority, the Finance Committee and a discussion with Michael Ittleson, the Committee feels that the Authority itself is doing everything possible to expand use of small businesses by the way it solicits and selects vendors (such as auditors, insurance brokers, office supplies, CAP program administrators, etc.). The Authority advertises aggressively for the larger contracts, posts numerous Requests for Proposals on the Authority website and uses Small Business lists and contracts developed by the State. The Committee believes the Authority is doing a good job in this important area.

Mr. Escher added that the Committee hopes to conclude its work by year end, after two or three more meetings. He concluded by stating that this was an informational report only, requiring no Authority action.

FINANCE COMMITTEE REPORT

Authority 2008 Budget

Dr. Cohen, Chairman of the Authority's Finance Committee, stated that the Finance Committee met on October 9th to discuss the Authority's proposed 2008 budget. He reported that the Committee is pleased to recommend the budget for the Members' approval today.

The proposed 2008 budget reflects an estimated operating expense of approximately \$3,889,000. Estimating an operating income of almost \$4 million and an interest income of just over a quarter million dollars, the budget projects a net income of about \$380,000 in 2008. These figures do not include anticipated increases in compensation, though, which he said would be discussed in Executive Session.

Dr. Cohen pointed out a couple of the larger differences between the 2007 and 2008 budgets. The primary difference is the change in the Authority's fee schedule, which was

approved at the Authority's June meeting and will be effective on January 1st, 2008. The new fee structure will decrease total annual fees by roughly \$514,000.

Interest Income for 2008 is projected to increase by \$120,000, based on the Authority's estimated \$6 million investment in the New Jersey Cash Management Fund at 4.50%. This calculation, Dr. Cohen noted, does not account for the loaning of funds to Bayonne, which was approved earlier this month.

Fringe benefits increase by about \$138,000 in 2008, due in part to the increasing Employer Pension expense in accordance with Chapter 108, P.L. 2003. This law reinstates employer pension contributions on a phase-in basis, with 80% of the actuarially calculated amount due in 2008 and 100% due in 2009. Those are the more noteworthy changes. The rest of the budget shows minor increases and decreases.

Dr. Cohen stated that, during the meeting, he questioned staff with concerns about general office expenses and services hoping there would be ways to lower these costs. Staff responded and after further discussion, it became clear to the Committee that staff continues to look to lower costs where possible. Also, many of the Authority's expenses are dictated by outside entities, such as payments to the Division of Law for DAG services and to the Authorities Unit for reviewing the minutes. The Committee applauded staff's due diligence to keep costs to a minimum.

Dr. Cohen then made a motion to meet in Executive Session to discuss the employee compensation portion of the 2008 budget since it is a matter related to personnel. Ms. Stokley seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-67

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 the employee compensation portion of the 2008 budget as a matter related to personnel.

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 reported that, in Executive Session, the Members discussed the level for staff salary increases that was recommended by the Governor's Authorities Unit, adding that the Members expressed the desire to include this increase in the Authority's 2008 Budget. Dr. Cohen then made a motion to approve the proposed Authority 2008 Budget, including the salary adjustments discussed in Executive Session. Mr. Escher seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-68

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Authority's 2008 budget, including the staff salary increases that were recommended by the Governor's Authorities Unit.

AUTHORITY EXPENSES

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

AB RESOLUTION NO. HH-69

WHEREAS, the Authority has reviewed memoranda dated October 18, 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 \$661,123.95, \$44,869.74 and \$116,930.99 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, Third Quarter Budget Report, and a Legislative Advisory. Mr. Hopkins announced the following items in his Executive Director's Report:

1. The *Commission on Rationalizing New Jersey's Health Care Resources* will hold its next meeting at the Authority's offices later this day. The final report of the Commission is expected in December.
2. Several area hospitals have expressed an interest in either acquiring or leasing all or a portion of Pascack Valley Hospital, which declared bankruptcy on September 24, 2007 and announced that it would close by the end of the year. The interested hospitals include Englewood Hospital and Valley Hospital (possibly jointly), Hackensack University Medical Center, Holy Name Hospital and Saint Barnabas Health Care System. There was also interest expressed by a group hoping to form a doctor-owned hospital. The bondholders have engaged the real estate firm of Cushman and Wakefield to seek buyers for Pascack. The Authority has approximately \$80 million in bonds outstanding on behalf of Pascack, which have no credit enhancement.

Barnert Hospital, which is also in bankruptcy, engaged Cain Brothers to seek potential purchasers. Several potential purchasers have signed confidentiality agreements to access the due diligence documents. Letters of intent from potential purchasers are expected by the end of November.

Muhlenberg Hospital as been provided with a notice of default by Ambac, the bond insurer on Authority bonds issued on behalf of Muhlenberg. The Authority followed up with a letter requiring Muhlenberg to engage a consultant in accordance with their bond documents.

Atlantic City Medical Center recently held a grand opening ceremony for its new emergency department. It will be phasing in other portions of the project, which was financed by Authority bonds.

Hackensack University Medical Center recently named Bob Glenning its new CFO.

Saint Peter's University Hospital has made permanent its interim Chief Executive Officer Alfred Glover and Chief Financial Officer Garrick Stoldt. Saint Peter's Healthcare System, Inc., the parent of Saint Peter's University Hospital, appointed Ron Rak as its Chief Executive Officer.

3. In Authority news, Steve Fillebrown spoke at the New Jersey Institutional Investors Conference earlier this month.

Mr. Escher asked if the bondholders expect to be made whole with the sale of Pascack Valley Hospital, to which Mr. Hopkins replied that, though there is significant value in the property, he does not think the bondholders expect to be made whole. The bondholders specifically requested that the State not impose a requirement that the property's purchaser be health care related so that the sale can go to the highest bidder. However, if the highest bidder is a health care entity, the bondholders, of course, have no objection. It was noted that Pascack Valley Hospital had already sold off smaller parcels of its land in order to fund a consultant and, after the bondholders issued consent, to fund some of the hospital's operations.

EXECUTIVE SESSION

At this point, Dr. Jacobs asked if Members should discuss amending the September meeting minutes according to Dr. Cohen's concerns or if those concerns should be addressed in executive session as receipt of advice from the Attorney General's office. Mr. Rones noted that he will be providing legal advice and it is the opinion of the Office of the Attorney General that the dispensation of legal advice should be done in executive session to uphold the attorney-client privilege. Dr. Cohen disagreed, for the record, that all legal advice from the Attorney General's office be dispensed in executive session. However, the Members expressed an interest in moving into executive session at this time, according to the advice of the Deputy Attorney General.

As permitted by the Open Public Meetings Act and the Authority's By-Laws, Mr. Escher moved to meet in Executive Session to receive advice from the Office of the Attorney General. Ms. Kralik seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-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 receive legal 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. As there was no further business to be addressed, Mr. Escher moved to adjourn the meeting, Ms. Stokley seconded. The vote was unanimous, and the motion carried at 12:10 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 OCTOBER 25, 2007.

Dennis Hancock
Assistant Secretary

AB RESOLUTION NO. HH-61

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

Robert Wood Johnson University 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, *Robert Wood Johnson University Hospital has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,*

WHEREAS, Robert Wood Johnson University Hospital 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 be of a complex structure, including the involvement of the simultaneous sale of more than one series with each series structured differently; and,

WHEREAS, market conditions could be considered volatile; and,

WHEREAS, Robert Wood Johnson University 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 Robert Wood Johnson University 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.

SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT AND MORTGAGE

by and between

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY,
as the Bond Issuer

and

CENTRASTATE ASSISTED LIVING, INC.,
as the Borrower,

Dated: October __, 2007

RECORD AND RETURN TO:

**Christopher J. Maurer, Esq.
Reed Smith LLP
P.O. Box 7839**

Princeton, New

Jersey 08543-7839

SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT AND MORTGAGE

THIS SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT AND MORTGAGE (hereinafter referred to as this "Second Amendment") is made this ___ day of October, 2007, by and between

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY, a public body corporate and politic and a political subdivision of the State of New Jersey, having its principal office located at Station Plaza, Building #4, 22 South Clinton Avenue, Trenton, New Jersey 08609-1212 (hereinafter referred to as the "Bond Issuer"),

AND

CENTRASTATE ASSISTED LIVING, INC., a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey, having an office located at 901 West Main Street, Freehold, New Jersey 07728 (hereinafter referred to as the "Borrower").

WITNESSETH:

WHEREAS, pursuant to the terms, conditions, and provisions of that certain Commitment Letter dated November 3, 1998 executed by and among Summit Bank, as predecessor-by-merger to Fleet National Bank, as predecessor-by-merger to Bank of America, N.A. (hereinafter referred to as the "Original Bank"), the Borrower, and CentraState Healthcare, Inc., a New Jersey corporation (hereinafter referred to as the "Guarantor"), the Original Bank agreed to make available to the Bond Issuer, for the benefit of the Borrower, a commercial construction/term mortgage loan facility in the maximum principal amount of up to \$8,000,000.00 (hereinafter referred to as the "Loan Facility"); and

WHEREAS, the proceeds of the Loan Facility were made available to the Bond Issuer, and the Bond Issuer, in turn, lent such proceeds to the Borrower pursuant to the terms, conditions, and provisions of that certain Loan and Security Agreement and Mortgage dated as of December 1, 1998 executed by and between the Borrower and the Bond Issuer and recorded in the Office of the Clerk of Monmouth County on December 24, 1998 in Mortgage Book 6653, Page 93 (hereinafter referred to as the "Original Loan and Security Agreement and Mortgage"), which Original Loan and Security Agreement and Mortgage also secures the Borrower's obligation to repay to the Bond Issuer all principal of and interest on the Loan Facility; and

WHEREAS, the Bond Issuer's obligation to repay to the Original Bank all principal of and interest on the Loan Facility is evidenced by those certain \$8,000,000.00 New Jersey Health Care Facilities Financing Authority Revenue Bonds, CentraState Assisted Living Issue, Series 1998 (hereinafter referred to as the "Original Bonds"), which Original Bonds were issued by the Bond Issuer to the Original Bank pursuant to (i) that certain New Jersey Health Care Facilities Financing Authority General Health Care Facilities Registered Bond Resolution adopted on October 29, 1992 (hereinafter referred to as the "General Bond Resolution") and (ii) that certain New Jersey Health Care Facilities Financing Authority Series Resolution Authorizing the Issuance of New Jersey Health Care Facilities Financing Authority Revenue Bonds, CentraState Assisted Living Issue, Series 1998 adopted on September 25, 1998 (hereinafter referred to as the "Original Series Resolution"); and

WHEREAS, the Borrower's obligation to repay to the Bond Issuer all principal of and interest on the Loan Facility is evidenced by that certain Promissory Note dated December 24, 1998 executed by the Borrower, as maker, in favor of the Bond Issuer, as payee, in the maximum principal amount of up to \$8,000,000.00 (hereinafter referred to as the "Note"); and

WHEREAS, pursuant to that certain Assignment dated as of December 1, 1998 executed by the Bond Issuer in favor of Summit Bank, as predecessor-in-interest to The Bank of New York, as trustee (hereinafter referred to as the "Trustee"), the Bond Issuer assigned to the Trustee, for the benefit of the Original Bank, all of its rights, title, and interests in and to (i) the Original Loan and Security Agreement and Mortgage, (ii) all payments due under the Original Loan and Security Agreement and Mortgage and all security for such payments, and (iii) the Note; and

WHEREAS, pursuant to the terms, conditions, and provisions of that certain Guaranty dated December 24, 1998, the Guarantor guaranteed to (i) the Bond Issuer and (ii) the Trustee, for the benefit of the Original Bank, all of the Borrower's payment obligations with respect to the Loan Facility (hereinafter referred to as the "Guaranty"); and

WHEREAS, the Bond Issuer adopted that certain First Supplemental Resolution Amending the Series Resolution dated November 20, 2003 (hereinafter referred to as the "First Supplemental Resolution") for the purpose of authorizing the execution of the "First Amendment" (as such term is hereinafter defined); and

WHEREAS, pursuant to the terms, conditions, and provisions of that certain First Amendment to Loan and Security Agreement and Mortgage dated as of December 15, 2003 executed by and between the Bond Issuer and the Borrower and recorded in the Office of the Clerk of Monmouth County on January 7, 2004 in Mortgage Book 8330, Page 2937 (hereinafter referred to as the "First Amendment") and hereinafter the Original Loan and Security Agreement and Mortgage, as amended and modified by the First Amendment, shall be collectively referred to as the "Loan and Security Agreement and Mortgage"), the Bond Issuer and the Borrower amended and modified the terms, conditions, and provisions of the Original Loan and Security Agreement and Mortgage for the purposes more fully set forth and described in the First Amendment; and

WHEREAS, Section 9.02 of the Loan and Security Agreement and Mortgage provides that the Loan and Security Agreement and Mortgage may be amended by the parties thereto (i) with the prior written consent of the "Majority Bondholder" (as such term is defined in the Original Loan and Security Agreement and Mortgage), and (ii) pursuant to a "Supplemental Resolution" (as such term is defined in the General Bond Resolution) adopted and consented to as provided in the General Bond Resolution, Section 10.02(a) of which General Bond Resolution provides that no such Supplemental Resolution shall become effective until (a) the filing with the Trustee of a copy of such Supplemental Resolution certified by an "Authorized Officer" (as such term is defined in the General Bond Resolution) of the Bond Issuer and (b) there shall have been filed with the Trustee the written consents of the holders of at least a majority in principal amount of all "Outstanding Bonds" (as such term is defined in the General Bond Resolution); and

WHEREAS, Bank of America Public & Institutional Financial Funding, LLC (hereinafter referred to as the "New Lender") has, pursuant to that certain Assignment dated of even date herewith executed by Bank of America, N.A., as successor-by-merger to Fleet National Bank, as successor-by-merger to Summit Bank, the previous holder of all of the Original Bonds, become the sole holder of the "Bonds" (as such term is hereinafter defined) and the Majority Bondholder under the Original Loan and Security Agreement and Mortgage; and

WHEREAS, pursuant to that certain Acknowledgement, Consent and Agreement dated October __, 2007 (hereinafter referred to as the "Acknowledgment"), executed and delivered by the Original Bank and the New Lender and delivered to the Bond Issuer, the Original Bank, as the then sole bondholder and Majority Bondholder, and the New Lender, as the then future sole bondholder and Majority Bondholder, have each consented to the terms of the Second Amendment and consented to the adoption of, and the terms contained in, the "Second Supplemental Resolution" (as such term is hereinafter defined) by the Bond Issuer, all as required pursuant to Section 11.02 of the General Bond Resolution; and

WHEREAS, in contemplation of this Second Amendment and the amending and restating of the Original Bonds for the purpose of effecting the amendment to the interest rate on the Loan Facility and the amendment to the optional redemption provisions contemplated by this Second Amendment (hereinafter the Original Bonds, as so amended and restated, shall be referred to as the "Bonds"), the Bond Issuer adopted that certain Second Supplemental Resolution Amending the Series Resolution dated October 25, 2007 (hereinafter referred to as the "Second Supplemental Resolution") and hereinafter the Original Series Resolution, as amended and modified by the First Supplemental Resolution and the Second Supplemental Resolution, shall be collectively referred to as the "Series Resolution" and hereinafter the General Bond Resolution and the Series Resolution shall be collectively referred to as the "Resolutions"; and

WHEREAS, the execution and delivery of this Second Amendment has been duly authorized by the parties and all conditions, acts and things necessary and required by the statutes of the State of New Jersey or

otherwise to exist, to have happen, or to have been performed precedent to or in the execution and delivery of this Second Amendment do exist, have happened and have been performed in regular form, time and manner; and

WHEREAS, the Bond Issuer and the Borrower have agreed, pursuant to the terms, conditions, and provisions of this Second Amendment, to further amend and modify the terms, conditions, and provisions of the Loan and Security Agreement and Mortgage and all of the other Bond Documents for the purposes more fully set forth and described herein; and

WHEREAS, defined terms used but not expressly defined herein shall have the same meanings when used herein as set forth in the Loan and Security Agreement and Mortgage.

NOW, THEREFORE, intending to be legally bound hereby, the Bond Issuer, the Borrower, and the Guarantor hereby promise, covenant, and agree as follows:

1. **Accuracy of Recitals**. The Bond Issuer and the Borrower each hereby represent and warrant that all of the recitals contained in this Second Amendment are true, correct and accurate and such recitals are hereby incorporated herein by reference as part of the substantive provisions of this Second Amendment.

2. **Amount Outstanding Under Bonds**. There is, as of October __, 2007 due and owing under the Bonds, the principal sum of \$_____, together with unpaid accrued interest, without offset, defense or counterclaim, all of which are hereby expressly waived by the Borrower.

3. **Amendments to Original Loan Agreement**. The Original Loan Agreement is hereby amended and modified as follows:

(i) the existing "Interest Rate Per Annum" set forth on Schedule "B" attached to and made a part of the Original Loan Agreement is hereby deleted in its entirety, and the following new "Interest Rate Per Annum" is hereby inserted in its place and stead:

"Interest Rate Per Annum: from Date of Issuance to
November 1, 2008: 4.57% per
annum; thereafter, 4.37% per
annum."

(ii) In Article I, Section 1.01, the existing definition of "Bond Documents" shall be deleted in its entirety and the following new definition shall be inserted in its place and stead:

"“Bond Documents” means the Resolutions, this Agreement and Mortgage, the First Amendment, the Second Amendment, the Note, the Guaranty and all instruments, financing statements, contracts, undertakings, documents or other agreements delivered in connection herewith and therewith.”

(iii) In Article I, Section 1.01, the existing definition of "Series Resolution" shall be deleted in its entirety and the following new definition shall be inserted in its place and stead:

"“Series Resolution” means the Series Resolution adopted by the Authority pursuant to the General Resolution to authorize the issuance of the Bonds of any Series, as any such Series Resolution may be from time to time amended, modified, extended, renewed, substituted, and/or supplemented.”

(iv) In Article I, Section 1.01, the following new definitions are hereby inserted:

"“First Amendment” means that certain First Amendment to Loan and Security Agreement and Mortgage dated as of December 15, 2003 executed by and between the Authority and the Institution and recorded in the Office of the Clerk of Monmouth County on January 7, 2004 in Mortgage Book 8330, Page 2937.”

““Second Amendment” means that certain Second Amendment to Loan and Security Agreement and Mortgage dated October __, 2007 executed by and among the Authority, the Institution, and the Guarantor, and to be recorded in the Office of the Clerk of Monmouth County.”

(v) Any and all references to any of the “Bond Documents” shall be deemed to refer to any such “Bond Document”, as amended and modified up through and including this Second Amendment and all other documents, resolutions, certificates, assignments, notices, and other documentation executed in connection with, or contemplated by, this Second Amendment (hereinafter collectively referred to as the “Second Amendment Documents”).

(vi) The Original Loan Agreement, as amended and modified up through and including the Second Amendment Documents, shall be hereinafter collectively referred to as the “Loan Agreement”.

4. **Other Bond Documents.** The other Bond Documents are hereby amended and modified such that any and all references to any of the “Bond Documents” shall be deemed to refer to such “Bond Document”, as amended and modified up through and including the Second Amendment Documents.

5. **Further Agreements and Representations.** The Bond Issuer and the Borrower do each, but only with respect to itself, hereby (i) ratify, confirm, and acknowledge that the Loan and Security Agreement and Mortgage, the Note, and the other Bond Documents, in each case as amended up through and including the Second Amendment Documents, continue to be valid, binding and in full force and effect; (ii) acknowledge and agree that, as of the date hereof, neither the Bond Issuer nor the Borrower, respectively, has any defense, set-off, counterclaim, or challenge against the payment of any sums due and owing to the New Lender or the enforcement of any of the terms of the Loan and Security Agreement and Mortgage, the Note, and/or the other Bond Documents, as amended and modified through and including the Second Amendment Documents; (iii) acknowledge and agree that all representations and warranties of the Bond Issuer and the Borrower, respectively, contained in the Loan and Security Agreement and Mortgage, the Note, and the other Bond Documents, as amended and modified through and including the Second Amendment Documents, are true, accurate, and correct as of the date hereof as if made on and as of the date hereof, except to the extent any such representation or warranty is by its terms limited to a certain date or dates in which case it remains true, accurate and correct as of such date or dates except as otherwise disclosed to the New Lender since the date of the Bond Documents; (iv) acknowledge and agree that nothing contained herein and no actions taken pursuant to the terms hereof are intended to constitute a novation of the Notes, and do not constitute a release, termination, or waiver of any of the liens, security interests or rights or remedies granted to the New Lender under the Bond Documents, all of which liens, security interests, rights or remedies are hereby ratified, confirmed and continued as security for the Bonds and the Note; and (v) represent and warrant that the Bond Issuer and the Borrower, respectively, has each taken all necessary action required by law and by their respective governing documents to execute and deliver the Second Amendment Documents and that such execution and delivery constitutes the legal and validly binding action of the Bond Issuer and the Borrower, respectively.

6. **No Novation; Lien Priority of the Bond Documents.** It is the intention of the parties hereto that neither this Second Amendment nor any of the Second Amendment Documents shall constitute a novation, nor shall either in any way adversely affect or impair the lien priority of the Bond Documents. In the event this Second Amendment, any of the Second Amendment Documents, or any portion hereof or thereof, or any of the instruments executed in connection herewith or therewith, shall be construed or shall operate to affect the lien priority of the Bond Documents in excess of that contemplated and permitted thereby, and to the extent third parties acquiring an interest in the Bond Documents are prejudiced hereby, this Second Amendment and the other Second Amendment Documents shall be void and of no force and effect; provided, however, that notwithstanding the foregoing, the parties hereto, as among themselves, shall be bound by all terms and conditions hereof until all obligations of the Borrower and the Guarantor to the New Lender under the Bond Documents, as amended and modified hereby and by the other Second Amendment Documents, shall have been paid in full.

7. **Additional Documents; Further Assurances.** The Bond Issuer and the Borrower each hereby covenant and agree to execute and deliver to the New Lender, or to cause to be executed and delivered to the New Lender contemporaneously herewith, at their sole cost and expense, any and all other documents, agreements, statements, resolutions, certificates, opinions, consents, searches, and information as the New Lender may reasonably request in connection with the matters or actions described herein. The Bond Issuer and the Borrower hereby further covenant and agree to execute and deliver to the New Lender, or to use reasonable efforts to cause to be executed and delivered to the New Lender, at the Borrower's sole cost and expense, from time to time, any and all other documents, agreements, statements, certificates, and information as the New Lender shall reasonably request to evidence or effect the terms of the Loan and Security Agreement and Mortgage, the Note, the Guaranty, and/or any of the other Bond Documents, as amended and modified through and including the Second Amendment Documents, or to enforce or protect the New Lender's interest in its collateral. All such documents, agreements, statements, etc., shall be in form and content reasonably acceptable to the New Lender.

8. **Fees, Costs, Expenses and Expenditures.** The Borrower shall pay all of the New Lender's and Bond Issuer's reasonable expenses in connection with this Second Amendment, including, without limitation, reasonable fees and disbursements of the New Lender's legal counsel and bond counsel.

9. **No Waiver.** Nothing contained herein constitutes an agreement or obligation by the New Lender to grant any further amendments to any of the Bond Documents, and nothing contained herein constitutes a waiver or release by the New Lender of any rights or remedies available to the New Lender under the Bond Documents, at law or in equity.

10. **Binding Effect; Governing Law.** This Second Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and/or assigns. This Second Amendment shall be governed by and construed in accordance with the laws of the State of New Jersey.

11. **Counterparts.** This Second Amendment may be executed in any number of counterparts, each of which, when taken together, shall be deemed one and the same instrument.

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IN WITNESS WHEREOF, the Bond Issuer, the Borrower, and the Guarantor have duly executed and delivered this Second Amendment, all as of the day and year first written above.

BOND ISSUER:

**NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY**

By: _____
Name:
Title:

BORROWER:

CENTRASTATE ASSISTED LIVING, INC., a
New Jersey corporation

ATTEST:

Name:

By: _____
Name:
Title:

STATE OF NEW JERSEY :
 : SS.
COUNTY OF _____ :

BE IT REMEMBERED, that on this ____ day of October, 2007, before me, the subscriber, personally appeared _____ who I am satisfied is the person who executed the within instrument as the _____ of **NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY**, and this person thereupon acknowledged that the said instrument made by such Authority and delivered by him as such officer, is the voluntary act and deed of such Authority, made by virtue of authority from said Authority's By-Laws.

Notary Public

STATE OF NEW JERSEY :
 : SS.
COUNTY OF _____ :

BE IT REMEMBERED, that on this ____ day of October, 2007, before me, the subscriber, personally appeared _____ who I am satisfied is the person who executed the within instrument as the _____ of **CENTRASTATE ASSISTED LIVING, INC.**, a New Jersey corporation, and this person thereupon acknowledged that the said instrument made by the corporation and delivered by him as such corporate officer, is the voluntary act and deed of the corporation, made by virtue of authority from said corporation's Board of Directors.

Notary Public

ACKNOWLEDGEMENT, CONSENT, AND AGREEMENT

Bank of America, N.A., as successor-by-merger to Fleet National Bank, as successor-by-merger to Summit Bank, as the Majority Bondholder (hereinafter referred to as the “Original Bank”), and Bank of America Public & Institutional Financial Funding, LLC, as successor-by-assignment to Bank of America, N.A., as successor-by-merger to Fleet National Bank, as successor-by-merger to Summit Bank, as the Majority Bondholder (hereinafter referred to as the “New Lender”) **EACH HEREBY PROVIDES ITS PRIOR EXPRESS WRITTEN CONSENT** to the terms, conditions, and provisions of the Second Amendment to Loan and Security Agreement and Mortgage to which this Acknowledgment, Consent, and Agreement is attached, in satisfaction of the requirements of Section 9.02 of the Loan and Security Agreement and Mortgage.

The Original Bank and the New Lender each hereby acknowledges receipt of the Second Supplemental Resolution adopted by the Authority on October 25, 2007. The Original Bank and the New Lender each hereby waives any notification requirement with regard to the Second Supplemental Resolution and each hereby consents, as (i) the existing (a) “Majority Holder” and (b) sole “Holder” (as such terms are defined in the General Bond Resolution) of the Bonds in the case of the Original Bank, and (ii) the future (a) Majority Holder and (b) sole Holder of the Bonds in the case of the New Lender, to the adoption of the Second Supplemental Resolution by the Authority.

The Original Bank represents that it is the Majority Holder, and sole Holder, of the Bonds on the date hereof. The Authority is hereby authorized to rely on this Acknowledgment, Consent, and Agreement and the Authority is a beneficiary hereof.

The Original Bank and the New Lender each hereby terminates, releases, and relinquishes any and all rights to tender the Bonds to the Bond Issuer on November 1, 2008 for immediate payment, which rights were created pursuant to that certain Agreement to Pay Summit Bank Upon Tender of Series 1998 Bonds on November 1, 2008 dated December 24, 1998 and executed by the Borrower in favor of Summit Bank.

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ORIGINAL BANK:

BANK OF AMERICA, N.A., as successor-by-merger to Fleet National Bank, as successor-by-merger to Summit Bank

WITNESS:

Name:

By: _____

Name:

Title:

NEW LENDER:

BANK OF AMERICA PUBLIC & INSTITUTIONAL FINANCIAL FUNDING, LLC, as successor-by-assignment to Bank of America, N.A., as successor-by-merger to Fleet National Bank, as successor-by-merger to Summit Bank

WITNESS:

Name:

By: _____

Name:

Title:

Dated: October 25, 2007, the date of adoption of the Second Supplemental Resolution

No. R-1

UNITED STATES OF AMERICA

\$8,000,000

NEW JERSEY HEALTH CARE FACILITIES FINANCING
AUTHORITY REVENUE BOND

CENTRASTATE ASSISTED LIVING ISSUE, SERIES 1998

INTEREST RATE

MATURITY DATE

DATE

(as described herein)

(as set forth on Schedule A
Attached hereto)

December 24, 1998

REGISTERED OWNER: ** Banc of America Public & Institutional Financial Funding, LLC**

PRINCIPAL AMOUNT: EIGHT MILLION DOLLARS

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority"), a public body politic and corporate constituting a political subdivision of the State of New Jersey duly organized and existing under Chapter 29 of the Laws of New Jersey of 1972 (the "Authority's Law"), for value received, promises to pay (but only out of the Trust Estate described in the Resolution hereinafter mentioned) to the registered owner named above, or registered assigns, on the maturity date specified above, unless this Bond shall have been previously called for redemption in whole or in part and payment of the redemption price shall have been duly made or provided for upon surrender hereof, the principal amount specified in Schedule A attached hereto and to pay (but only out of said Trust Estate) interest thereon (calculated on the basis of a 360 day year consisting of twelve 30 day months) from the most recent Payment Date (as hereinafter defined) to which interest has been paid or provided for, or, if no interest has been paid, from the date specified above (the "Dated Date"), on January 1, 1999 and monthly thereafter on the first day of each month (each, a "Payment Date") until maturity or the earlier full redemption of the Series 1998 Bonds, at the interest rate equal to: (i) 4.57% per annum from the Dated Date to, but not including, November 1, 2008; and (ii) 4.37% per annum from and after November 1, 2008. The interest so payable, and punctually paid or duly provided for, on any Payment Date will, as provided in said Resolution, be paid to the registered owner hereof at the close of business on the regular record date for such interest, which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Payment Date (the "Regular Record Date"). Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner hereof on such Regular Record Date, and may be paid to the registered owner hereof at the close of business on a Special Record Date (as defined in the Resolution) for the payment of such defaulted interest to be fixed by the Trustee hereinafter mentioned, notice whereof shall be given to such registered owner not less than 10 days prior to such Special Record Date, all as more fully provided in said Resolution. The Redemption Price of this Bond shall be payable upon surrender hereof at the corporate trust office of The Bank of New York (the "Paying Agent"), 385 Rifle Camp Road, West Paterson, New Jersey 07424. Interest and principal, if any, on each Payment Date shall be payable by check mailed by the Paying Agent to the registered owner hereof at his registered address. Interest and principal, if any, payable to the registered owner of Series 1998 Bonds in the aggregate principal amount of \$1,000,000 or more may, upon request by such registered owner, be paid by wire transfer to a designated bank account within the continental United States, provided such request is received by the Paying Agent not later than ten days prior to the first payment to which such request relates.

This Bond is one of the Authority's Revenue Bonds, CentraState Assisted Living Issue, Series 1998 (the "Series 1998 Bonds"), issued in the aggregate principal amount of \$8,000,000 under a General Health Care Facilities Registered Bond Resolution, adopted by the Authority on October 29, 1992 (the "General Resolution"), and a Series Resolution, adopted by the Authority on September 25, 1998 (the "Series Resolution"), a First Supplemental Resolution, adopted by the Authority on November 20, 2003 (the "First Supplemental Resolution") and a Second Supplemental Resolution, adopted by the Authority on October 25, 2007 (the "Second Supplemental Resolution"; the General Resolution, the Series Resolution, the First Supplemental Resolution and the Second Supplemental Resolution, sometimes shall be called, collectively, the "Resolution"). Reference is made to the Resolution, a certified copy of which is on file at the corporate trust office of The Bank of New York (the "Trustee"), West Paterson, New Jersey, and

to a Loan and Security Agreement and Mortgage, dated as of December 1, 1998, as amended by a First Amendment to Loan and Security Agreement and Mortgage dated as of December 15, 2003 and by a Second Amendment to Loan and Security Agreement and Mortgage dated as of _____, 2007 (collectively, the “Agreement and Mortgage”), each by and between CentraState Assisted Living, Inc. (the “Institution”) and the Authority, copies of which are on file with the Trustee, for a statement of the purposes for which the Series 1998 Bonds are issued, and for provisions concerning, inter alia: the disposition of the proceeds of the Series 1998 Bonds; a description of the Trust Estate (as defined in the Resolution) of the Authority assigned and pledged for the security of the Series 1998 Bonds and other Bonds which may be issued under the Resolution; the provisions relating to the issuance of additional Bonds under the Resolution, the incurring of alternative indebtedness on a parity with the Series 1998 Bonds, the incurrence of other indebtedness and the liens and security interests which may be granted to secure such additional Bonds, alternative indebtedness and other indebtedness on a superior, parity or subordinate basis; a description of the duties and rights of the Authority and of the Trustee; and the provisions relating to amendments to the Resolution, the Agreement and Mortgage and the extent of the rights of holders of the Bonds. Each registered owner by acceptance of this Bond consents to all of the provisions of the Resolution and Agreement and Mortgage as an explicit and material part of the consideration of the Authority’s issuing this Bond.

Optional Redemption. The Series 1998 Bonds shall be subject to redemption prior to maturity at the option of the Authority, as directed by the Institution, from the Redemption Fund established in the Series Resolution, as a whole or in part at any time; (i) on or before November 1, 2008, at a Redemption Price of 100 per cent of the principal amount to be redeemed, plus the Redemption Fee, plus accrued interest to the Redemption Date, and (ii) after November 1, 2008, at the Redemption Prices shown below as a percentage of the principal amount to be redeemed, plus the Redemption Fee, plus accrued interest to the Redemption Date.

<u>Redemption Period (Dates Inclusive)</u>	<u>Redemption Price</u>
November 2, 2008 through October 31, 2009	103%
November 1, 2009 through October 31, 2010	102%
November 1, 2010 through October 31, 2011	101%
November 1, 2011 and thereafter	100%

The Series 1998 Bonds or portions thereof to be redeemed shall be selected by the Trustee in such order of maturity as the Authority shall direct and within a maturity by lot or in any other customary manner determined by the Trustee; provided, however, that prior to the selection of the maturities to be redeemed (other than a selection of maturities in inverse order of maturity) an opinion of Bond Counsel (as defined in the Resolution) shall be delivered, at the sole cost and expense of the Institution, to the effect that such selection shall not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid or payable on the Series 1998 Bonds.

Mandatory Redemption. The Series 1998 Bonds shall be subject to redemption prior to maturity in part at such time or times on any Payment Date specified in the written direction of an Authorized Officer of the Authority, as directed by the Institution, if there are moneys remaining in the Proceeds Account of the Construction Fund under the Resolution in excess of \$100,000 following completion of the Series 1998 Project (as defined in the Resolution) financed with proceeds of the Series 1998 Bonds, and which are transferred to the Redemption Fund. Such redemption shall be made at a Redemption Price of 100 per cent of the principal amount to be redeemed, plus accrued interest to the redemption date. The portion of the Series 1998 Bonds to be redeemed shall be selected by the Trustee in such order of maturity as the Authority shall direct and within a maturity by lot or in any other customary manner determined by the Trustee; provided, however, that prior to the selection of the maturities to be redeemed (other than a selection of maturities in inverse order of maturity), an opinion of Bond Counsel shall be delivered, at the sole cost and expense of the Institution, to the effect that such selection shall not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid or payable on the Series 1998 Bonds.

Extraordinary Redemption. The Series 1998 Bonds shall be subject to redemption prior to maturity as a whole at any time or in part from time to time on any Payment Date (1) from and to the extent of any insurance proceeds or condemnation awards in excess of \$100,000 that are received in respect of any damage to or destruction or taking under the power of eminent domain of all or any of the property of the Institution and which insurance proceeds or condemnation awards are not applied toward the replacement, restoration or repair of such property, as provided in the Agreement and Mortgage and (2) specified in the written direction of an Authorized Officer of the Authority, as

directed by the Institution, if the Majority Bondholder (as defined in the Agreement and Mortgage) does not approve a merger pursuant to Section 6.01(A)(7) of the Agreement and Mortgage. Any such redemption shall be made at a Redemption Price of 100 per cent of the principal amount to be redeemed, plus accrued interest to the redemption date. The Series 1998 Bonds, or portions thereof, to be redeemed shall be selected by the Trustee in such order of maturity as the Authority shall direct and within a maturity by lot or in any other customary manner determined by the Trustee; provided, however, that prior to the selection of the maturities to be redeemed (other than a selection of maturities in inverse order of maturity), an opinion of Bond Counsel shall be delivered, at the sole cost and expense of the Institution, to the effect that such selection shall not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid or payable on the Series 1998 Bonds.

Any redemption of this Bond under the preceding paragraphs shall be made as provided in the Resolution upon not less than thirty (30) nor more than sixty (60) days' notice by mailing a copy of the redemption notice by registered or certified mail, postage prepaid to the registered holder hereof at the address shown on the registration books maintained by the Bond Registrar (as the term in hereinafter defined), unless such notice is waived by the holders of the Series 1998 Bonds to be redeemed; provided, however, that the failure to mail notice to the holder hereof, or any defect therein, shall not affect the validity of the proceedings for redemption of any other Bond. In connection with any such notice, the "CUSIP" numbers, if any, assigned to the Series 1998 Bonds being called for redemption may be used, but reliance may be placed only on the identification number printed hereon. In the event that less than the full principal amount hereof shall have been called for redemption, the registered owner hereof shall surrender this Bond in exchange for one or more new Series 1998 Bonds in aggregate principal amount equal to the unredeemed portion of principal, as provided in the Resolution.

If at the time of mailing of any notice of optional redemption the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the Series 1998 Bonds called for redemption, such notice shall be conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

If the Authority deposits with the Trustee or Paying Agent funds sufficient to pay the principal or Redemption Price of any Series 1998 Bonds becoming due at maturity, by call for redemption or otherwise, together with interest accrued to the due date, interest on such Series 1998 Bonds will cease to accrue on the due date, and thereafter the holders will be restricted to the funds so deposited as provided in the Resolution.

The Series 1998 Bonds are special obligations of the Authority payable solely from the Trust Estate described in the Resolution. Neither the State of New Jersey nor the Authority shall be obligated to pay the principal of or interest on the Series 1998 Bonds except from said Trust Estate, and neither the faith and credit nor the taxing power of the State of New Jersey or any political subdivision thereof other than the Authority is pledged to the payment of the principal of or the interest on the Series 1998 Bonds. The Authority's Law states that the issuance of any bonds under the provisions thereof shall not directly or indirectly or contingently obligate the State of New Jersey or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor. The Authority has no taxing power.

In the case of an Event of Default, as defined in the Resolution, shall have occurred, the principal of all Series 1998 Bonds then outstanding may become due and payable before their maturity dates.

The Authority's Law states that any bond issued pursuant thereto shall be fully negotiable within the meaning of Title 12A, the Uniform Commercial Code of the New Jersey Statutes, subject only to the provisions of the Series 1998 Bonds for registration, and bonds issued by the Authority, their transfer and the income therefrom, including any profit made on the sale thereof shall at all times be exempt from taxation except for transfer, inheritance and estate taxes.

No recourse shall be had for the payment of the principal or Redemption Price of, or interest on, this Bond, or for any claim based hereon or on the Resolution against any member, officer or employee past, present or future of the Authority or of any successor body, as such, either directly or through the Authority or any such successor body 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.

This Bond is registered as to both principal and interest on the bond register to be kept for that purpose at the designated office of The Bank of New York (the "Bond Registrar"), 385 Rifle Camp Road, West Paterson, New Jersey 07424, and both principal and interest shall be payable only to the registered owner hereof. This Bond may be

transferred or exchanged in accordance with the provisions of the Resolution; no transfer hereof shall be valid unless made at said office by the registered owner in person or by his duly authorized attorney and noted hereon. The owner of this Bond shall give notice to the Trustee and to the Institution of the assignment or sale of this Bond and the name and address of such assignee or owner in addition to the street name owner for registration purposes. The Series 1998 Bonds or any portion thereof cannot be transferred to any subsequent purchaser unless such subsequent purchaser shall provide to the Authority a sophisticated investor letter in substantially the same form as was provided by the original purchaser of this Bond or otherwise acceptable to the Authority. The Authority, the Trustee, the Paying Agent and the Bond Registrar may treat the registered owner of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary.

This Bond is not valid unless the Certificate of Authentication endorsed hereon is duly executed.

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 Bond and the issue of Series 1998 Bonds of which it is one, have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Authority, 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 Bond to be executed in its name by the manual signature of its Chairman, and its corporate seal to be affixed, imprinted, lithographed or reproduced hereon, and attested by the manual signature of its Assistant Secretary.

NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

[SEAL]

By: _____
Mark E. Hopkins, Executive Director

ATTEST:

Assistant Secretary

AUTHENTICATION CERTIFICATE

This Bond is one of the Bonds described in the within mentioned General Health Care Facilities Registered Bond Resolution and Series Resolution and First Supplemental Resolution and Second Supplemental Resolution of the New Jersey Health Care Facilities Financing Authority. A signed copy of the complete text of the opinion of McCarter & English, LLP, Bond Counsel to the Authority, is on file with the undersigned, which opinion was dated the date of initial delivery of and payment for the Series 1998 Bonds.

By: _____
Authorized Signature

Date of Authentication:

ASSIGNMENT

For value received _____ hereby sells, assigns and transfer
unto _____ (the tax identification number of Social Security number of the
transferee is _____) the within Bond issued by the New Jersey Health Care
Facilities Financing Authority, and all rights thereunder, hereby irrevocably appointing
_____ attorney to transfer said Bond on the Bond Registrar, with full power of
substitution in the premises.

Date: _____

Signature Guaranteed

Notice: The Assignor's signature to this Assignment must correspond with the name as it appears upon
the face of the within Bond in every particular without alteration or any change whatever.

SCHEDULE "A"

Amortization Schedule NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

SECOND SUPPLEMENTAL RESOLUTION AMENDING THE SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, CENTRASTATE ASSISTED LIVING ISSUE, SERIES 1998 ADOPTED ON SEPTEMBER 25, 1998 AND AUTHORIZING THE AMENDMENT OF THE LOAN AND SECURITY AGREEMENT AND MORTGAGE AND THE AMENDMENT AND RESTATEMENT OF THE BONDS

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. 26:21-1 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, the General Resolution authorizes the issuance by the Authority, from time to time, of its revenue bonds, in one or more series, for the authorized purposes of the Authority; and

WHEREAS, the Authority duly adopted on September 25, 1998, its "SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, CENTRASTATE ASSISTED LIVING ISSUE, SERIES 1998" (the "Series Resolution"); and

WHEREAS, the Authority duly adopted on November 20, 2003, its "FIRST SUPPLEMENTAL RESOLUTION AMENDING THE SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, CENTRASTATE ASSISTED LIVING ISSUE, SERIES 1998 ADOPTED ON SEPTEMBER 25, 1998 AND AUTHORIZING THE AMENDMENT OF THE LOAN AND SECURITY AGREEMENT AND MORTGAGE" (the "First Supplemental Resolution"); and

WHEREAS, pursuant to the General Resolution and the Series Resolution, the Authority issued its New Jersey Health Care Facilities Financing Authority Revenue Bonds, CentraState Assisted Living Issue, Series 1998 (the "Series 1998 Bonds") in the aggregate principal amount of \$8,000,000; and

WHEREAS, the proceeds of the Series 1998 Bonds were loaned to CentraState Assisted Living, Inc. (the "Institution") pursuant to that certain Loan and Security Agreement and Mortgage, dated as of December 1, 1998 (the "Original Agreement"), between the Authority and the Institution; and

WHEREAS, pursuant to the First Supplemental Resolution, the Series resolution as set forth in Section 1.01 of the Series Resolution, and the General Resolution, the Institution and the Authority amended the Original Agreement pursuant to that certain First Amendment to Loan and Security Agreement and Mortgage, dated as of December 15, 2003 (the "First Amendment to Original Agreement"), between the Authority and the Institution, so as to modify and clarify the definition of "Debt Service Requirements" set forth in Section 1.01 of the Original Agreement; and

WHEREAS, the Institution desires to further amend the Series Resolution and the Original Agreement so as to provide for an interest rate of 4.37% on the Series 1998 Bonds for the period commencing on November 1, 2008, and continuing through the maturity date of the Series 1998 Bonds of November 1, 2018, and to revise the optional redemption provisions of the Series Resolution and the Series 1998 Bonds; and

WHEREAS, pursuant to Section 9.02 of the Original Agreement, the Original Agreement may be amended by the parties thereto, with the prior written consent of the Majority Bondholder, pursuant to a Supplemental Resolution adopted and consented to as provided in the General Resolution; and

WHEREAS, pursuant to Section 10.02 of the General Resolution, the Authority may adopt a Supplemental Resolution supplementing the General Resolution or any Series Resolution upon the consent of at least the majority of the Bondholders affected thereby; and

WHEREAS, pursuant to Section 10.02(a) of the General Resolution, any such Supplemental Resolution shall become effective after the filing with the Trustee of a copy of such Supplemental Resolution certified by an Authorized Officer of the Authority; and

WHEREAS, pursuant to Section 10.05 of the General Resolution, the filing of such Supplemental Resolution with the Trustee shall be accompanied by an opinion of Bond Counsel to the effect that such Supplemental Resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of the General Resolution and the Series Resolution, is authorized or permitted by the General Resolution and the Series Resolution and constitutes the lawful and binding obligation of the Authority in accordance with its terms; and

WHEREAS, pursuant to Section 11.02 of the General Resolution, such Supplemental Resolution shall not be effective unless there shall have been filed with the Trustee the written consents of the percentage of Holders of Outstanding Bonds specified in Section 10.02 of the Resolution; and

WHEREAS, Section 11.02 of the Resolution further provides that the Trustee shall file a certificate which states that it has examined proof of ownership of the Bonds for which consent is given; and

WHEREAS, Bank of America, N.A., as successor in interest to Fleet Bank and Summit Bank, and Banc of America Public & Institutional Financial Funding, LLC, as successor-by-assignment to Bank of America, N.A. (collectively, "BOA") is the sole Holder of the Series 1998 Bonds and the Majority Bondholder under the Original Agreement; and

WHEREAS, pursuant to the Acknowledgement, Consent and Agreement dated October 25, 2007 (the "Acknowledgement and Consent"), executed and delivered by BOA on even date with the adoption of this Supplemental Resolution by the Authority, BOA, as sole bondholder and Majority Bondholder, has consented to the terms of the Second Amendment to Loan and Security Agreement and Mortgage between the Authority and the Institution (the "Second Amendment to Loan And Security Agreement and Mortgage") and consented to the adoption of the 2007 Supplemental Resolution by the Authority, as required pursuant to Section 11.02 of the General Resolution.

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

ARTICLE I

DEFINITIONS AND AUTHORITY FOR SERIES RESOLUTION

SECTION 1.01. Definitions. Unless the context otherwise requires or unless expressly otherwise provided herein, all words and terms that are defined in Section 1.01 of the General Resolution shall have the meanings in this Supplemental Resolution that are given to such words and terms by Section 1.01 of the General Resolution.

SECTION 1.02. Authority for this Supplemental Resolution. This Supplemental Resolution is adopted pursuant to and in accordance with the provisions of the Act and Article X of the General Resolution and Section 9.02 of the Original Agreement.

ARTICLE II

APPROVAL OF SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT AND MORTGAGE

SECTION 2.01. Approval of Second Amendment to Loan and Security Agreement and Mortgage. The form of the Second Amendment to Loan and Security Agreement and Mortgage presented at the meeting at which this Supplemental Resolution is adopted (copies of which have been filed with the records of the Authority) is hereby approved. Any Authorized Officer of the Authority is hereby authorized and directed to execute, to acknowledge and to deliver, and any other Authorized Officer of the Authority is hereby authorized and directed to affix and to attest the seal of the Authority to, the Second Amendment to Loan and Security Agreement and Mortgage in substantially such form, with such changes therein as counsel may advise and the Authorized Officers executing the same may approve, such approval to be evidenced by their execution thereof.

ARTICLE III

AMENDMENT TO SERIES RESOLUTION

SECTION 3.01. Amendment to Section 1.01 of the Series Resolution. Section 1.01 of the Series Resolution is hereby amended as follows:

“Redemption Price” means the principal amount of a Bond, plus the applicable premium, if any, payable upon the redemption thereof, plus the Redemption Fee, if any, payable upon redemption thereof, pursuant to the Resolutions.

SECTION 3.02. Amendment to Section 2.02(B) of the Series Resolution. Section 2.02(B) of the Series Resolution and Exhibit “A” to the Series Resolution are hereby amended to provide that the interest rate on the Bonds shall be 4.37% for the period commencing on November 1, 2008, and continuing through the maturity date of the Bonds of November 1, 2018.

SECTION 3.03. Amendment to Section 2.03(A) of the Series Resolution. Section 2.03(A) of the Series Resolution is hereby amended to provide that the Series 1998 Bonds shall be subject to redemption prior to maturity at the option of the Authority, as directed by the Institution, from the Redemption Fund established in the Series Resolution, as a whole or in part at any time; (i) on or before November 1, 2008, at a Redemption Price of 100 per cent of the principal amount to be redeemed, plus the Redemption Fee, plus accrued interest to the Redemption Date, and (ii) after November 1, 2008, at the Redemption Prices shown below as a percentage of the principal amount to be redeemed, plus the Redemption Fee, plus accrued interest to the Redemption Date.

<u>Redemption Period (Dates Inclusive)</u>	<u>Redemption Price</u>
November 2, 2008 through October 31, 2009	103%
November 1, 2009 through October 31, 2010	102%
November 1, 2010 through October 31, 2011	101%
November 1, 2011 and thereafter	100%

The Series 1998 Bonds or portions thereof to be redeemed shall be selected by the Trustee in such order of maturity as the Authority shall direct and within a maturity by lot or in any other customary manner determined by the Trustee; provided, however, that prior to the selection of the maturities to be redeemed (other than a selection of maturities in inverse order of maturity) an opinion of Bond Counsel (as defined in the Resolution) shall be delivered, at the sole cost and expense of the Institution, to the effect that such selection shall not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid or payable on the Series 1998 Bonds.

SECTION 3.04. Authorization for Amended and Restated Series 1998 Bond. Any Authorized Officer of the Authority is authorized to execute and to deliver to the Trustee for authentication the amended and restated Series 1998 Bond in substantially the form attached hereto as Exhibit "A".

ARTICLE IV

MISCELLANEOUS

SECTION 4.01. Series Resolution to Govern. This Supplemental Resolution shall remain in full force and effect for so long as any Series 1998 Bonds remain outstanding under the Resolutions. The General Resolution, as amended and supplemented by the Series Resolution, the First Supplemental Resolution and this Supplemental Resolution, is in all respects ratified and confirmed. The General Resolution, as amended and supplemented by the Series Resolution and this Supplemental Resolution, shall be read, taken and construed as one and the same instrument. To the extent that the provisions of this Supplemental Resolution are inconsistent with the provisions of the General Resolution and the Series Resolution, the provisions of this Supplemental Resolution shall prevail.

SECTION 4.02. Incidental Action. The Authorized Officers of the Authority are hereby authorized and directed to execute and to deliver such other documents, instruments and agreements, and to take such other action as may be necessary or appropriate in order to effectuate the execution and the delivery of the Second Amendment to Loan and Security Agreement and Mortgage.

SECTION 4.03. Prior Resolutions. All prior resolutions of the Authority or portions thereof to the extent inconsistent herewith are hereby repealed.

SECTION 4.04. Amendments. This Supplemental Resolution may be amended and supplemented by a Supplemental Resolution adopted pursuant to the provisions of the General Resolution.

SECTION 4.05. Effective Date. This Supplemental Resolution shall take effect upon the occurrence of both: (i) 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 the Supplemental Resolution is adopted or at such earlier time as the Governor signs a statement of approval, all in accordance with subsection (i) of Section 4 of the Act; and (ii) receipt by the Authority of the opinion of Bond Counsel, in form and substance satisfactory to the Authority and the Office of the Attorney General of the State, required by Section 10.05 of the General Resolution.

Exhibit "A"

Form of Amended and Restated Series 1998 Bond

**RESOLUTION AUTHORIZING A LOAN FROM THE NEW JERSEY HEALTH
CARE FACILITIES FUND BALANCE TO BAYONNE MEDICAL CENTER**

(approved October 19, 2007—amended October 25, 2007)

WHEREAS, Bayonne Medical Center has requested that the New Jersey Health Care Facilities Financing Authority provide a \$2,500,000 bridge loan to Bayonne Medical Center, and

WHEREAS, Bayonne Medical Center is in bankruptcy, and

WHEREAS, Bayonne Medical Center requests that the Authority provide the loan to help the Medical Center reach a transaction with a potential purchaser determined through a bankruptcy auction process, and

WHEREAS, after rejecting two proposed bids as insufficient, the bankruptcy judge ordered an open auction to take place on Wednesday, October 24, 2007, and

WHEREAS, if the bankruptcy court approves a purchaser after the auction, it is expected that Bayonne Medical Center will need additional funds to continue its operations until the transaction with the purchaser can be completed, and

WHEREAS, the Authority is authorized to make loans to health care organizations as defined in the Authority's enabling legislation.

NOW THEREFORE BE IT RESOLVED, That the Authority hereby authorizes a loan from its fund balance of an amount not to exceed \$2,500,000 to Bayonne Medical Center for a period of not to exceed five years at an interest, adjusted monthly, equal to the New Jersey Cash Management Fund interest rate as of the first of each previous month plus 2%, under the following conditions:

Scenario 1.

(a) the Authority receives an equal security interest in the mortgage and other security (pari passu) under the debtor-in-possession financing provided by Kimco;

(b) the bankruptcy court identifies a purchaser by Authority established deadline of November 2, 2007, with two possible one-week extensions to no later than November 16, 2007, to be made at the discretion of the Executive Director with the advice of the Attorney General's office;

(c) the purchaser indicates it intends to operate at least a substantial portion of the facility as a health care facility, including emergency services;

(d) the purchaser is acceptable to the Authority, taking into consideration the purchaser's demonstrated ability to capitalize the acquisition of Bayonne Medical Center and the purchaser's demonstrated experience in operating a health care facility; and

(e) there are sufficient funds available, including the Authority's \$2.5 million loan, to continue the operations of Bayonne Medical Center through the projected date of acquisition by

the purchaser, (these funds may come from funds provided by the purchaser, or funds provided by the City of Bayonne through a bond or note issue by it);

-- or --

Scenario 2.

(a) the Authority receives a priority security interest third to Kimco and second to FSA (only to the extent that FSA's security in accounts receivable is diminished from its security in accounts receivable on the bankruptcy filing date) on the mortgage and other security that secures the DIP loan;

(b) the bankruptcy court identifies a purchaser by Authority established deadline of November 2, 2007, with two possible one-week extensions to no later than November 16, 2007, to be made at the discretion of the Executive Director with the advice of the Attorney General's office;

(c) the purchaser agrees that it will assume the Authority loan, with the bankruptcy court's approval, under the same terms and conditions offered to BMC, with the addition of the security required by subsection (e) below;

(d) the purchaser is a "health care organization" as defined by the Authority's enabling statute and agrees to operate at least a substantial portion of the facility as a health care facility, including emergency services;

(e) the purchaser provides sufficient security for the loan in the form of a gross revenues pledge and/or a mortgage on all or a portion of the property,

(f) the purchaser is otherwise acceptable to the Authority, taking into consideration the purchaser's demonstrated ability to capitalize the acquisition of Bayonne Medical Center and the purchaser's demonstrated experience in operating a health care facility; and

(g) there are sufficient funds available, including the Authority's \$2.5 million loan, to continue the operations of Bayonne Medical Center through the projected date of acquisition by the purchaser (any additional funds may come from funds provided by the purchaser, or funds provided by the City of Bayonne through a bond or note issue by it).

BE IT FURTHER RESOLVED, That the Executive Director of the Authority, with the advice of the Attorney General's office, is hereby authorized to determine whether or not a purchaser of Bayonne Medical Center is "acceptable to the Authority", and that the Chairman, Vice-Chairman, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, Executive Director or Deputy Executive Director of the Authority are hereby authorized to execute and deliver on behalf of the Authority any document required to effectuate the loan transaction in forms satisfactory to the authorized officer and the Attorney General and upon receipt of such opinions and other documents as the Attorney General may require.

-----Original Message-----

From: Moshe Cohen [<mailto:mocohn@gmail.com>]

Sent: Tuesday, September 18, 2007 9:20 PM

To: MHopkins

Subject: RE: September 27th Meeting

Mark

Attached is Judge Waugh's opinion regarding executive session and compliance with N.J.S.A. 10:4-13(a). Please include the opinion for consideration by board members and senior staff.

Please forward the questions below to Cliff and board members.

1. Enclosed is a copy of Middlesex County Superior Court Judge Alexander Waugh's unpublished decision in Paff v. Monroe Board of Education. In that decision, Judge Waugh holds that a public body "must make a good faith effort to provide the public with as much knowledge as possible without endangering the 'public interest' or the rights of others." Do you believe that Judge Waugh's decision sets the proper standard for compliance with N.J.S.A. 10:4-13(a)? If not, please set forth the proper standard as you see it.

2. Do the N.J.S.A. 10:4-13(a) resolutions comply with what you have determined to be the proper standard? If not, please provide some guidelines on how the Authority should draft its future N.J.S.A. 10:4-13(a) resolutions.

3. Do you believe that the Authority's present form of closed session resolutions satisfy N.J.S.A. 10:4-13(b) in that they state "as precisely as possible, the time when and the circumstances under which the discussion conducted in closed session of the public body can be disclosed to the public"? If not, please provide some guidelines on how the Authority should draft its future N.J.S.A. 10:4-13(b) resolutions.

4. Consider the following statement: "The purpose of the Authority's executive session minutes is not only to inform the public of what the Authority privately discussed and decided, but to create a record, for the Authority's own use, to refresh members' recollection of what was said and done at previous meetings. Accordingly, the minutes should be verbose and detailed enough to accomplish the latter purpose, even if some of the material recorded in the minutes may remain forever exempt from public disclosure." Does the Senator Byron M. Baer Open Public Meetings Act compel the Authority to comply with the procedure set forth in the above statement? If not, does the Act prevent the Authority from adopting the procedure set forth in the above statement? Would you consider it "best practices" (i.e. most compatible with the Legislature's declarations contained within N.J.S.A. 10:4-7) for the Authority to adopt the procedure set forth in the above statement?

5. Consider the following statement: "The Authority ought to regularly and periodically examine its past executive session minutes to determine whether or not the passage of time or the occurrence of events allow for disclosure of some material that had previously redacted from those minutes." Does the Senator Byron M. Baer Open Public Meetings Act compel the Authority to conduct such regular and periodic reviews? If not, does the Act prevent the Authority from conducting such regular and periodic reviews? Would you consider it "best practices" (i.e. most compatible with the Legislature's declarations contained within N.J.S.A. 10:4-7) for the Authority to establish

a time during which such reviews would remain standing items on the Authority's meeting agendas?

6. Consider the following statement: "The Authority's executive session minutes, properly and necessarily redacted, should be on hand and publicly available in the same manner as its public meeting minutes. A member of the public who requests the Authority's executive session minutes should be able to receive them routinely and promptly, without requiring the Executive Director or an attorney to review those minutes before releasing them." Does the Senator Byron M. Baer Open Public Meetings Act compel the Authority to maintain its executive session minutes in this fashion? If not, does the Act prevent the Authority from maintaining its executive session minutes in this fashion? Would you consider it "best practices?"

(i.e. most compatible with the Legislature's declarations contained within N.J.S.A. 10:4-7) for the Authority to routinely maintain its minutes as suggested in the statement?

7. Consider the following statement: "As a general rule, the Authority's executive session minutes, properly and necessarily redacted, should be publicly available in draft form prior to the Authority's next regularly scheduled public meeting. This would allow interested members of the public an opportunity to review those minutes prior to meeting and thus draw informed conclusions and offer informed comments regarding the matters privately discussed. Does the Senator Byron M. Baer Open Public Meetings Act compel the Authority to publicly disclose the nonexempt portions of its executive session minutes, in draft form, prior to its next scheduled meeting? If not, does the Act prevent the Authority from disclosing its minutes in this fashion? Would you consider it "best practices" (i.e. most compatible with the Legislature's declarations contained within N.J.S.A. 10:4-7) for the Authority to routinely disclose the nonexempt portion of its executive meeting minutes prior to its next regular meeting?

Moshe