Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on April 28, 2005 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:
Ed Tetelman (Chairman pro tem), representing the Commissioner of Health and Senior Services; Noreen White (via telephone), Public Member; Gus Escher, Public Member; Freida Phillips, representing the Commissioner of Human Services; and, Maryann Kralik, representing the Commissioner of Banking and Insurance.

The following **Authority staff** were in attendance:
Mark Hopkins, Dennis Hancock, Steve Fillebrown, Suzanne Walton, Lou George, Bill McLaughlin, Jim Van Wart, Michael Ittleson, Carole Conover, Mae Jeffries-Grant, Erica Tantories (for bring you child to work day – with Ms. Grant), Marji McAvoy, and Stephanie Zschunke.

The following **representatives from State offices** were in attendance:
Victoria Pratt, Authorities Unit Office of the Governor; Jaimy Taylor, Treasurer's Office; and, Clifford T. Rones, Deputy Attorney General.

The following **members of the public** were in attendance:
Amy Mansue, Joseph Dobosh, Warren Moore, Children's Specialized Hospital; Richard Harte, Bank of America; Christopher LaMarca, PNC Capital Markets; Liza Wolf, Cozen O'Connor; Howard Eichenbaum, Gluck Walrath; Sean Hopkins, New Jersey Hospital Association; and, Chris McCann, Jack Swire, Kari Fazio, Wachovia Securities.

CALL TO ORDER

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

In the absence of the Chairman and with the Vice Chairman attending the meeting by phone, Ms. White nominated Ed Tetelman to serve as Chairman pro tem for the meeting. Ms. Phillips seconded. Ms. White voted yes, Mr. Escher voted yes, Ms. Phillips voted yes, Mr. Tetelman voted yes, and Ms. Kralik voted yes. The motion carried.

AB RESOLUTION NO. EE-79

> ***NOW, THEREFORE, BE IT RESOLVED,*** that the Authority appoints Ed Teltelman to serve as Chairman pro tem for the April 28, 2005 Authority meeting, in the absence of the Authority's Chairman, since the Authority's elected Vice Chairman attended the meeting via telephone.

APPROVAL OF MINUTES

A. March 24, 2005 Authority Meeting

Mr. Tetelman stated that the minutes for the Authority's March 24, 2005 meeting had been distributed for review and approval. Mr. Escher offered a motion to approve the minutes. Ms. Phillips seconded. Mr. Tetelman voted yes, Ms. White voted yes, Mr. Escher voted yes, Ms. Phillips voted yes, and Ms. Kralik voted yes. The motion carried and the minutes were approved.

B. April 1, 2005 Special Meeting

Mr. Tetelman stated that the minutes for the Authority's April 1, 2005 special meeting had been distributed for review and approval. Mr. Escher offered a motion to approve the minutes. Ms. White seconded. Mr. Tetelman voted yes, Ms. White voted yes, Mr. Escher voted yes, Ms. Phillips voted yes, and Ms. Kralik voted yes. The motion carried and the minutes were approved.

APPOINTMENT OF "COMP" PROGRAM UNDERWRITER

Mark Hopkins reminded the Members that, at the Authority's February meeting, the Authority approved the distribution of a request for proposals to bankers to provide underwriting and remarketing services for the Authority's Variable Rate Composite Program ("COMP"). The request for proposals was sent to all 22 qualified bankers who expressed an interest in participating in the COMP Program. A memo from Dennis Hancock was distributed, along with meeting materials that describe the process in a little more detail. Eight firms submitted proposals. Based on the criteria in the RFP, the list was narrowed to the three firms most closely meeting the criteria.

Mr. Hancock, Suzanne Walton and Mr. Hopkins interviewed each of the three firms and, based on their responses and the Authority's criteria, staff recommends that the Authority Members approve PNC Capital Markets as the senior manager and remarketing agent for the next series of COMP bonds and, so long as PNC Capital Markets continues to provide satisfactory service to the Authority, for the all COMP series bonds through June 2007.

Ms. Phillips offered a motion to approve PNC Capital Markets as the senior managing underwriter for COMP transactions undertaken through June 2007, contingent upon the Authority's continued satisfaction with its performance during that period. Ms. Kralik seconded. Mr. Escher stated that, because he is employed by a company that is affiliated with PNC Capital Markets, he did not participate in the discussion and will abstain from the vote. Mr. Tetelman voted yes, Ms. White voted yes, Ms. Phillips voted yes, and Ms. Kralik voted yes. The motion carried.

AB RESOLUTION NO. EE-80

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves PNC Capital Markets to serve as the senior managing underwriter for the Authority's Variable Rate Composite Program, for transactions undertaken through June 2007, contingent upon the Authority's continued satisfaction with its performance during that period.

INFORMATIONAL PRESENTATION

Children's Specialized Hospital

Suzanne Walton began by introducing the following representatives from the hospital: Amy Mansue, President and Chief Executive Officer, Joseph Dobosh, Vice President of Finance and Warren Moore, Chief Operating Officer. She then described Children's Specialized Hospital (the "Hospital") as an affiliate member of the Robert Wood Johnson Health System and the largest pediatric rehabilitation hospital in the United States. The not-for-profit Hospital provides a wide array of medical, developmental, educational and rehabilitative services for infants, children, adolescents and young adults. It currently operates in six locations: Mountainside, the main campus; two facilities in Fanwood; two facilities in Toms River; Roselle Park; Hamilton and Newark.

The Hospital requested that the Authority consider the issuance of approximately $70 million of bonds on its behalf, the proceeds of which are needed to fund construction of a 130,000 square foot, five-level building to house the relocation of 60 comprehensive pediatric rehab beds from their existing campus in Mountainside to the campus of RWJ University Hospital in New Brunswick. The new facility will be located next to the Bristol-Myers Squibb Children's Hospital and the soon to be completed Child Health Institute of New Jersey Research Center. Together, these three facilities will form the State's first comprehensive pediatric center of excellence.

Ms. Walton explained that the facility will provide services such as a comprehensive inpatient rehabilitation unit allowing active parent participation, a ventilator weaning program for children with chronic lung disease, and an inpatient care unit for children suffering from terminal conditions. In addition, the Hospital will be able to offer a full range of pediatric subspecialty services in conjunction with the RWJ Medical School.

According to Ms. Walton, the financial and utilization information included in the meeting materials indicates that the Hospital operates at break even levels and relies heavily on support from the Hospital Foundation for both operational and capital needs. It is important to note that the Hospital has been pursuing appropriate reimbursement for their long term care beds and has recently received significant adjustments to its rates, which will improve its operating margins going forward. The bottom line losses in 2002 and 2003 are tied to losses in the Hospital's investment portfolio and one time reserves for the sale of Princeton Insurance Holdings and ramp-up expenses attributed to the growth in outpatient services.

Annual Inpatient Utilization Trends for the Hospital are positive and, as previously stated, indicate tremendous growth in their outpatient services. Since the Hospital is one of only two children's rehabilitation hospitals in New Jersey, it has managed care contracts with all the major providers. The financial ratios reflect strong liquidity (factoring in the resources of the Foundation) and low debt to capitalization. The Foundation is currently undertaking a major capital campaign for the New Brunswick Capital Project. Phase One of the Campaign set a target amount of $30 million of which 80% has already been pledged.

Ms. Walton reported that, while the structure of the financing has not been finalized, it is anticipated that a portion of the bonds will be issued as variable rate demand bonds backed by a letter of credit while the rest will be issued as fixed rate bonds. The transaction has not yet been rated; however, an investment grade rating is expected prior to the sale of bonds. This concluded Ms. Walton's informational segment. Ms. Walton replied to a question by Ms. Phillips, clarifying that the "adjustments to its rates" referred to Medicaid reimbursement rates.

Steve Fillebrown then began his presentation summarizing the financial projections prepared by management. He reported that financial results project:

- bottom lines of $1.9 million and $4.6 million in first two full years after completion;
- debt service coverage ratios at 2.71 and 3.52 for those first two full years after completion; and,
- days cash on hand to grow to 87, then 95, not counting foundation resources (which, if added, drive the cash on hand figure over 250 days)

According to Mr. Fillebrown, the financial projections include several key assumptions, including a very modest growth in rehabilitation and long term care. Since the Hospital is basically at capacity, the new project will allow for a little growth. It also assumes 5-8% growth in outpatient volume. This is a more aggressive assumption, though this is still less than the Hospital's recent outpatient growth experience.

Further assumptions in the projections include a reimbursement growth 3% for most programs. The notable exception is the change in reimbursement for long term care since Medicaid will begin to pay at the Special Care Nursing Facility rate (over 40% increase) reflecting change in licensing of the beds. This adds over $5 million per year, however, much of the increase will not be booked as income but will go to increase third party reserves (a conservative approach). Slightly higher growth in outpatient rates of about 5% and legislatively mandated reimbursement for Medicaid's share of new capital costs (about $2.6 million per year) are also accounted for in the projections. The subsidy from the Foundation declines from $2.8 million to $1.0 million over the projection period, which is another conservative assumption. Note, funds from the capital campaign are not included in projections. Expense assumptions in the projections include: Average salaries rising a little aggressively at 2.3-2.7% and other expenses rising 3.5-13.7% per year.

Overall, the financial projections do not include many aggressive assumptions. Mr. Fillebrown concluded his presentation by stating that the key factors needed to reach the projections are the Hospital's ability to contain salary growth, the permanence of new reimbursements, and the facility's maintenance of volume.

Mr. Tetelman asked if there was a known explanation for the high growth in outpatient rates, to which Ms. Mansue stated that there is an unmet demand for pediatric outpatient care. The Center for Disease Control estimates that there are approximately 300,000 children in New Jersey who will need some type of rehabilitative care during the course of their childhood. Right now, the Hospital is serving about 12,000 outpatient cases and, aside from independent practitioners, there are no other specialized children's centers that provide such services beyond the Children's Specialized Hospital. Ms. Mansue noted that the Hospital had opened a facility in Hamilton on Quakerbridge Road in early 2003 where, within just twelve months, almost every service offered by the facility had established a waiting list. Ms. Mansue also attributed the rise to a growth in early intervention. As more parents and pediatricians are identifying developmental delays earlier than in the past, and as medical technology improves allowing, for example, a four-ounce baby to live and go on with a productive life, further services are in demand.

Mr. Tetelman asked if the Hospital was looking at growth in other parts of New Jersey, to which Ms. Mansue stated that, while the Hospital is currently completing its 2006 strategic plan (a five-year strategic design in which much of what was planned had been accomplished two- and three-fold), other locations are being considered for outpatient sites. The Hospital will maintain an additional 30 beds, on paper, for inpatient care and then determine whether or not the Hospital would need the support of an additional inpatient site elsewhere, though that need is doubtful. There has been a welcome reduction in child trauma cases, thanks to the auto industry and legislation for safety belts and bike helmets, for example. Yet, there is still much growth in the Hospital's infant population due to respiratory issues and congenital disease.

Mr. Tetelman stated that he believes there is a huge benefit to having the various facilities located together. Ms. Mansue agreed, stating that in 2003, $50 million in Medicaid reimbursement for child health care services went out of state ($38 million to Philadelphia and $12 million to New York). There is no location today in New Jersey that combines research and an academic campus with acute care and rehabilitation. Without all three components, New Jersey cannot compete with sister organizations in other parts of the country. In order to have a true children's hospital program, all three components need to work hand-in-hand. She concluded by stating that it is her belief that this is not about building another hospital in New Brunswick; it's about changing how heath care is delivered in New Jersey. Note, this portion of the meeting was for information purposes only; no action was taken.

PEDIATRIC AND ADULT ASTHMA CONFERENCE
Department of Health and Senior Services

Mr. Tetelman reported that The Department of Health and Senior Services (the "Department") is in the planning stages for its first New Jersey Asthma Summit. The initiative is expected to benefit the State's entire health care network as well as a large percentage of the State's citizens. The Department is seeking the Authority's support for this important and beneficial project.

The event would consist of a one-day educational seminar covering all aspects of one of New Jersey's most prevalent ailments and would be attended by approximately 200 healthcare providers including New Jersey medical school residency program directors, Federal Qualified Health Center executive directors and medical directors. As such, by co-sponsoring the Summit, the Authority would gain recognition in New Jersey's health care industry. The attendees will be asked to pay a modest $50.00 registration fee. However, in order to provide the necessary quantity and quality of information, including presentations by roughly a dozen medical experts lasting approximately six and a half hours, the Department is asking the Authority to contribute $50,000 in exchange for the right to be co-sponsor and to make available its marketing materials at the Summit. For further details, a preliminary agenda and budget was included in the Members' mailing packet.

Mr. Tetelman pointed out that while asthma is a serious chronic disease, it can be controlled if patients are proactive and properly informed by their health care providers. With approximately 10 to 13% of the New Jersey's schoolchildren diagnosed with asthma, every New Jerseyan likely knows someone who suffers from the disease. He reminded the Members that the Authority's mission is to ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State. Here, the Authority has an opportunity to give its borrowers something beyond just access to financial resources… the Authority can provide them the knowledge to improve the health and welfare of the citizens of the State and raise visibility of the Authority in the process. Mr. Escher offered a motion to approve a $50,000 contribution to the Department's New Jersey Asthma Summit. Ms. Phillips seconded.

Mr. Tetelman asked if there were any questions or comments. Mr. Escher asked if the Asthma Summit expected to solicit third party sponsorships, to which Mr. Tetelman stated that the Summit was only in the preliminary stages of development and that had not yet been discussed. The $50,000 would be a base amount needed to cover expenses of the Summit. In response to a question from Mr. Escher, Mr. Hopkins assured that the Authority could afford the contribution at this time.

Mr. Tetelman added that, when he served as the Assistant Commissioner at the Department of Human Services, the school-based youth services program in Long Branch experienced 103 children being absent or tardy throughout the year, some students missing very long stretches of attendance, due to asthma. Once an asthma program was put into place in the school, though, the absentees and tardiness due to asthma was completely eliminated. Often times this is a health issue that is ignored, however, asthma programs can make a big impact and deserve a closer look. In response to a question from Ms. Phillips, Mr. Tetelman and Mr. Hopkins stated that no site had been selected for the Summit as of yet. The vote was unanimous and the motion carried.

AB RESOLUTION NO. EE-81

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a $50,000 contribution to co-sponsor the Department of Health and Senior Services' 2005 New Jersey Asthma Summit.

HOSPITAL ASSET TRANSFORMATION REGULATIONS

Mr. Hopkins reported that, in August 2000, the New Jersey Legislature adopted an amendment to the Authority's enabling act creating the Hospital Asset Transformation Program in order "to provide assistance in the restructuring of the health care system of the State and to aid in the termination of the provision of hospital acute care services at such locations as may no longer be useful or necessary." Pursuant to the Hospital Asset Transformation Program, the Authority may issue bonds to refund outstanding bonds issued on behalf of a hospital that will cease to provide acute care services at a specific location and may secure those refunding bonds, in part, by financial support from the State pursuant to a contract with the State Treasurer. Any such financial support from the State is subject to the approval of the State Treasurer.

Mr. Hopkins stated that, in order to further clarify the parameters of support available from the State, the State Treasurer has requested, and the staff recommends, regulations for the Hospital Asset Transformation Program. Generally, the proposed regulations outline an application procedure for hospitals and limit recipients of financial support to those non-profit, non-municipal hospitals which can demonstrate, among other things, an expected Capital Ratio of no less than 4% for the first year after termination of services and which derived no less than 25% of its total gross revenue from Medicaid, self pay and charity care as of the most recent New Jersey Acute Care Hospitals Cost Report.

According to Mr. Hopkins, the draft regulations were reviewed by Authority staff, the Treasurer's Office and the Attorney General's Office. Staff requests that the Authority Members approve the form of the regulations with any further changes recommended by the Attorney General and approved by the Executive Director.

Mr. Tetelman added that one of the important aspects of the regulations is that they look at all the assets that the facility in question might have available, including its foundation. In addition, there is a payback provision that can be instituted so that the facility pays the State back when it is in better financial health. He also emphasized that the regulations will follow the normal administrative procedure so that the public may have an appropriate time to comment on the proposed regulations.

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

AB RESOLUTION NO. EE-82

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the proposed Hospital Asset Transformation Regulations, with any changes recommended by the Attorney General and approved by the Executive Director, and authorize staff to begin the process of enacting those Regulations in accordance with the Administrative Procedure Act.

AUTHORITY EXPENSES

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

AB RESOLUTION NO. EE-83

WHEREAS, the Authority has reviewed memoranda dated April 28, 2005, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of $724,397.25, $14,529.18 and $38,534.49 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

Mr. Tetelman referenced staff reports that were distributed for review, including the Project Development Summary, Interest Rate Trends Graph, Cash Flow Statement, First Quarter Budget Report and Legislative Advisory. He thanked staff for preparing the reports.

Mr. Fillebrown than presented the Fourth Quarter Apollo Report findings, stating that the although most of the data for year-end 2004 is unaudited at this point, it does provide an early look at the financial condition of New Jersey hospitals. However, audit adjustments can materially affect the hospitals' financial statements and the medians could change based on those adjustments.

Fourth quarter profitability indicators showed noticeable improvement for the first time in 21 months. At .69% and 1.29%, median operating and profit margins were higher than third quarter levels of (.04%) and .63%. Also, the fourth quarter medians were the highest for these indicators since year-end 2002. Median debt service coverage was essentially unchanged at 2.43.

Mr. Fillebrown stated that liquidity measures show only minor changes from the third quarter. Median cash on hand decreased by two days to 82 days, receivables decreased a day to 52 days, and payables increased one day to 61 days. Days cash on hand is still below both 2003 and 2002 year-end medians. Leverage ratios were also mixed, with debt to capitalization slightly up from the third quarter but debt to fixed assets decreased and cash to debt increased.

Taken together, the fourth quarter indicators show a very modest improvement in the overall financial condition of hospitals. The increased charity care and new Medicare wage regulations likely account for the increase in operating and profit margins. However, even with the improvements, profitability levels are still low. Also, charity care payments are expected to be cut by about $50 million in the State fiscal year 2006 budget. Note that days cash on hand still decreased despite the higher margins, the decline in receivables and the increase in payables. Until staff can view the audits, it cannot be said with certainty whether this is due to increased spending on property plant and equipment or other factors.

Mr. Tetelman asked if there were any areas that showed big improvements, to which Mr. Fillebrown stated that the larger hospitals and major teaching hospitals appeared to show larger improvement than other hospitals, however, this was likely due to cash infusions rather than operational changes. Mr. Escher asked what the cash infusions were; Mr. Fillebrown stated that the cash infusions included the $200 million legislated increase for charity care and a Wage Index improvement made by the Centers for Medicare and Medicaid.

Mr. Hopkins then began his Executive Director's report by announcing that the Authority's Spring Newsletter has been printed and is available. Also, as discussed during the Authority March meeting, the Authority departments have been slightly reorganized and a new organizational chart reflecting that reorganization is on the table for the Members. He added that staff's search for a Construction Manager continues. Jim Van Wart interviewed several people last week; he expects to narrow the list so that Mr. Hopkins can meet the top candidates shortly. Staff's search for a new Assistant Account Administrator is also underway; interviews for that position will be scheduled shortly.

Since the Authority's March meeting, Mr. Hopkins stated that he met with representatives of the following firms interested in doing business with the Authority:

- Advest, a potential underwriter;
- Bank of America, a potential provider of equipment financing for health care organizations; and,
- Divergence Health, a financial management and consulting firm specializing in health care organizations' performance improvement and turnaround.

Mr. Hopkins stated that next month's meeting is the Authority's Annual Meeting. Therefore, included in the Members' packets for this month's Authority meeting were: proposed 2005-2006 meeting dates for Authority and Finance Committee Meetings, as well as a blank slate for the election of Authority officers for 2005-2006. This concluded the Executive Director's Report.

Mr. Hopkins then introduced Erica Tantories who was attending the meeting as part of “Bring Your Child to Work” Day. She stood up and introduced herself. Mr. Hopkins thanked her for coming and the attendees welcomed her.

OLD / NEW BUSINESS

A. By-laws Amendment to establish Audit Committee and Evaluation Committee

Mr. Tetelman stated that pursuant to Executive Order No. 122, enacted by Governor James E. McGreevey in 2004, the Authority must establish both an Audit Committee and an Evaluation Committee. In order to comply, he proposed an amendment to the Authority’s by-laws that would allow for the creation of those committees and outline their duties. The proposed amendment was on the table before each member but Mr. Tetelman read it aloud to ensure its understanding:

> “The Authority may appoint such committees as may be necessary to facilitate its purposes from time to time, including, without limitation, the following:
>
> - The Audit Committee, which shall be responsible for assisting the Board in retaining an independent auditor to conduct an audit of the Authority’s financial statements by making a recommendation to the Board after engaging in an auditor selection process, and assisting in the financial reporting and audit process of the Authority, all in accordance with the provisions of Executive Order No. 122. The Audit Committee shall meet at least twice (2) each year. Criteria for membership on the Audit Committee is governed by the provisions of Executive Order No. 122.
> - The Evaluation Committee, which shall be responsible for conducting the solicitation and evaluation of eligible independent auditors. The Evaluation Committee is responsible for drafting requests for proposals (“RFPs”), soliciting responses to such RFPs, accepting and evaluating proposals and providing a final written report to the Audit Committee, all in accordance with the provisions of Executive Order No. 122. The Evaluation Committee may draw upon the expertise of the Department of the Treasury, Division of Purchase and Property to assist it in the drafting of the RFPs, soliciting proposals in response to the RFPs and evaluating proposals. Criteria for membership on the Evaluation Committee are governed by the provisions of Executive Order No. 122.”

Mr. Tetelman added that the proposed Resolution amends Section 7.11 of the Authority's by-laws so as to remove the portions that are inconsistent with Executive Order No. 122. Ms. White offered a motion to amend the Authority’s by-laws as recommended in order to comply with Executive Order No. 122. Ms. Phillips seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. EE-84

> **NOW, THEREFORE, BE IT RESOLVED,** that Authority amends its by-laws, deleting Sections 7.11 (a), (b) and (c) which are inconsistent with Executive Order No. 122; and,

BE IT FURTHER RESOLVED, that the duties specified in those deleted sections are transferred to the Audit Committee and the Evaluation Committee by the new Section 7.12. *(see attached amendment)*

B. Nominations for the Authority Evaluation Committee

Mr. Tetelman nominated public members Noreen White, Carmen Saginario, Jr., and Gus Escher to serve as the Authority's Evaluation Committee. Ms. Phillips seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. EE-85

NOW, THEREFORE, BE IT RESOLVED, that the following individuals are hereby elected to serve as the Authority's Evaluation Committee: Noreen White, Carmen Saginario, Jr., and Gustav Edward Escher, III.

ADJOURN

As there was no further business to be addressed, Ms. White moved to adjourn the meeting, Mr. Escher seconded. The vote was unanimous and the motion was carried at 10:40 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 APRIL 28, 2005.

Dennis Hancock
Assistant Secretary

See AB RESOLUTION NO. EE-84

PROPOSED AMENDMENT TO AUTHORITY BY-LAWS

The following is a proposed amendment to the Authority's by-laws in order to bring the Authority into compliance with Executive Order No. 122 (McGreevey 2004) regarding the selection of and interaction with the Authority's auditor.

AMENDED SECTION:

Section 7.11 ***Powers of the Finance Committee***

The Finance Committee shall be empowered to act as an advisor to the full Board with regard to financially related issues such as~~:~~

~~(a) the review of annual financial statements and auditor's report;~~
~~(b) the review of recommended changes to the system of internal controls;~~
~~(c) the review of other matters raised by the Authority's auditor;~~
~~(d)~~ to review and to discuss financial transactions of the Authority including, without limitation, contracts, Authority investment policies, Authority fee schedules, releases of mortgaged and pledged property, the Authority budget and feasibility studies; and. to make recommendations to the Authority for action.

NEW SECTION:

Section 7.12 ***Other Committees***

The Authority may appoint such Committees as may be necessary to facilitate its purposes from time to time, including, without limitation, the following:

(a) Audit Committee. The Audit Committee shall be responsible for assisting the Board in retaining an independent auditor to conduct an audit of the Authority's financial statements by making a recommendation to the Board after engaging in an auditor selection process, and assisting in the financial reporting and audit process of the Authority, all in accordance with the provisions of Executive Order No. 122 (McGreevey 2004). The Audit Committee shall meet at least twice (2) each year. Criteria for membership on the Audit Committee is governed by the provisions of Executive Order No. 122 (McGreevey 2004).