

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on June 28, 2007 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

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

Fred M. Jacobs, Commissioner of Health and Senior Services (Chairman); Gus Escher, Public Member; Ulysses Lee, Public Member; 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 Van Wart, Steve Fillebrown, Michael Ittleson, Suzanne Walton, Susan Tonry, Bill McLaughlin, Wanda Lewis, Robert Day, Carole Conover, Marji McAvoy, Ron Marmelstein, and Stephanie Bilovsky.

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

Edward Tetelman, Department of Health and Senior Services; Jack Robinson, Cindy Johnson, St. Joseph's Healthcare Systems, Inc.; Isabel Miranda, GluckWalrath; Thomas Scott, Saint Barnabas Health Care System; Diane Lavenda, Sills Cummis Epstein & Gross P.C.; Robert Fuller, Capital Markets Management, LLC; Dorit Kressel, Wolff & Samson PC; Gary Walsh, John Bitar, Windels, Marx, Lane & Mittendorf; Karen Lumpp, Atlantic Health System; Shane Fleming, Capital Health System; Dennis LaMotte, JPMorganChase; Sharon Price-Cates, Governor's Authorities Unit; and, Rubin D. Weiner, Deputy Attorney General.

CALL TO ORDER

Commissioner Jacobs called the meeting to order at 10:02 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

A. May 24th, 2007 Authority Meeting

The minutes for the Authority's May 24, 2007 Authority meeting were distributed for review and approval. Mr. Escher offered a motion to approve the minutes; Ms. Stokley seconded. Dr. Jacobs voted yes; Mr. Escher voted yes; Mr. Lee voted yes; Ms. Kralik abstained; and Ms. Stokley voted yes. The motion carried and the minutes were approved.

B. June 4th and 5th, 2007 Authority Retreat

The minutes for the Authority's June 4th and 5th, 2007 Authority Retreat were distributed for review and approval. Mr. Escher offered a motion to approve the minutes; Ms. Stokley seconded. Dr. Jacobs voted yes; Mr. Escher voted yes; Mr. Lee voted yes; Ms. Kralik voted yes; and Ms. Stokley voted yes. The motion carried and the minutes were approved.

NEGOTIATED SALE REQUEST

Mark Hopkins reported to the Members that St. Joseph's Healthcare System, Inc. ("St. Joseph's") signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing for approximately \$269 million.

A portion of the proceeds will be used to make the following improvements at St. Joseph's Regional Medical Center in Paterson: (i) construct a 4-story Critical Care Building, including an emergency department, 12 operating rooms, a sterile services facility, a 56-bed critical care unit and a trauma helicopter landing pad; (ii) create a new lobby and other ground floor renovations; (iii) relocate outpatient clinics to the 275 Hospital Plaza building; (iv) renovate and relocate all women's and children's services to the Seton building; and, (v) make cosmetic renovations and upgrade nursing stations in all medical/surgical units.

Another portion of the proceeds will be used at St. Joseph's Wayne Hospital to renovate and expand two of its operating rooms, renovate the ICU, and renovate the lobby and medical/surgical units. Approximately \$79 million of the proceeds will be used to refund bonds issued by the Authority on behalf of the Regional Medical Center in 1996 and on behalf of the Wayne facility in 2003, as well as other eligible outstanding indebtedness. Finally, proceeds will be used to pay costs of issuance and fund a debt service reserve fund.

St. Joseph's is sponsored by the Sisters of Charity of Saint Elizabeth, a religious congregation of the Roman Catholic Church and a New Jersey non-profit corporation. The system consists of St. Joseph's Regional Medical Center, St. Joseph's Hospital and Medical Center Foundation, St. Joseph's Wayne Hospital, St. Joseph's Wayne Hospital Foundation, VHS Management (which operates Visiting Health Services of New Jersey), and other affiliated non-profit and for profit entities.

St. Joseph's Regional Medical Center is a university affiliated 792-bed tertiary facility which also operates St. Joseph's Children's Hospital in Paterson (a 120-bed state designated full service children's hospital), Clifton Family Practice in Clifton, Family Health Center in Paterson, Comprehensive Care Center in Paterson, 275 Ambulatory Dialysis Center in Paterson, Willowbrook Dialysis Center in Wayne and St. Vincent's Nursing Home in Cedar Grove. St. Joseph's Wayne Hospital is a 229-bed acute care hospital.

The Authority issued \$96,730,000 in bonds for St. Joseph's Regional Medical Center in 1996; as of March 31, 2007, approximately \$62.4 million remains outstanding. The Authority issued \$6.5 million of bonds for St. Joseph's Wayne Hospital as part of its 2003 COMP program, approximately \$5.3 million of which remains outstanding as of March 31, 2007. All of these 1996 and 2003 bonds will be defeased by this issue. In 1984 and 1986, the Authority also issued bonds on behalf of St. Joseph's, both of which have since been defeased.

According to the consolidated audited financial statements provided, St. Joseph's Regional Medical Center and subsidiaries generated excess revenues over expenses of approximately \$3.4 million for 2006 and \$14.4 million for 2005. Unaudited information through

April 2007 shows excess revenues over expenses of approximately \$1.8 million, continuing its recent history of positive results of operations.

St. Joseph's Wayne Hospital generated excess revenues over expenses of approximately \$794,000 for 2006 and \$1,000 for 2005. Unaudited information through April 2007 shows excess revenues over expenses of approximately \$1.1 million, also continuing its recent history of positive results of operations.

St. Joseph's asks that the Authority permit the use of a negotiated sale based on: (i) the sale of a complex or poor credit; (ii) market volatility; and (iii) large issue size. Since these are listed under Executive Order No. 26 as justifications for the use of a negotiated sale, staff recommended the Members' consideration of the resolution approving the use of a negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins noted that, after performing a competitive process, St. Joseph's selected Citigroup Global Markets, Inc. as Senior Managing Underwriter for the bonds.

Mr. Escher moved to approve the request for a negotiated sale on behalf of St. Joseph's and to approve the forwarding of a copy of the justification in support of said resolution to the State Treasurer. Ms. Kralik seconded.

Mr. Tetelman noted that, just a few years prior, St. Joseph's Regional Medical Center was struggling financially. He asked what measures had been put into place and how the facility is performing more recently. Mr. Robinsons reiterated that the Medical Center posted roughly \$14 million in excess revenues over expenses in 2005 and roughly \$3 million in 2006. The drop seen in 2006 is largely due to the fact that the facility addressed quality issues such as length of stay, and in Patterson, where a small piece of the market is Medicare, this reduction in length of stay (by about half a day in a twelve-month period) cut revenues. Since then, the hospital has been renegotiating managed care contracts.

Also, according to Mr. Robinson, management believes that the recent charity care revisions will be helpful going forward, as it allows the hospital to return to its position as a safety net hospital, entitling it to greater charity care reimbursement. As such, management expects to receive about \$7 million more in reimbursement next year for charity care services.

Mr. Tetelman asked about concerns over pending Medicaid issues where payments were not being received. Mr. Robinson stated that the hospital has been working to improve its accounts receivable administration, even outsourcing its administrative tasks offsite to Siemens for some time before moving the work back in-house when it did not work out as hoped. Days of revenue in accounts receivable are at much lower levels now.

Mr. Escher asked about the fundamental business strategy behind the new project plan. Mr. Robinson noted that, while St. Joseph's has been able to maintain strong health care services, the facility itself is old and in need of modernization. The layout of the facilities will be renovated and the foot traffic of the hospital will be completely reorganized to be more spread out and less congested and muddled. Also, St. Joseph's is working with the city's urban redevelopment planners to make the neighborhood a cleaner more updated area.

Ms. Stokley asked about the occupancy at Wayne. Mr. Robinson noted that while occupancy at the Patterson facility fluctuates between 350 to 470 filled beds out of 575, Wayne struggles more with strained capacity, operating at about 115 to 120 out of 130 beds. Because of this, management is looking into rearranging certain tenant relationships in order to best use the space in the facility.

Dr. Jacobs noted that St. Joseph's Regional Medical Center is a paradigm of the essential hospital in New Jersey, adding that this modernization project is badly needed and this area is in great demand of keeping this health care facility up and running in good condition.

The Members then voted on the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-13

(attached)

AMENDMENT & RESTATEMENT OF TRUST AGREEMENT

Hackensack University Medical Center

Bob Day reminded the Members that on February 26, 2004, the Authority issued Series 2004 bonds on behalf of Hackensack University Medical Center ("HUMC") in an aggregate amount of \$150,000,000. The series consists of auction rate bonds in four equal tranches of \$37,500,000, secured by a Trust Agreement and funds and accounts established therein, in addition to a Financial Guaranty Insurance Policy issued by Ambac Assurance Corporation.

HUMC requests that the 2004 Trust Agreement be amended and restated to conform to current market practices as defined by the Securities Industry and Financial Association, and requests that the auction period for Tranches I and III go from 35-days to 7-days. HUMC further requests approval from the Authority to remove UBS Financial Services ("UBS") as Broker-Dealer and have Merrill Lynch & Co. ("Merrill Lynch") appointed as Broker-Dealer for the Series 2004 bonds. Bond counsel Windels Marx Lane & Mittendorf, LLP prepared a resolution authorizing all of the above changes.

The Attorney General's office has no objection to the Authority's consideration of these matters. Mr. Escher moved to adopt the resolution amending and restating the trust agreement as requested by HUMC. Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-14

(attached)

AMENDMENT OF DOCUMENTS

Atlantic Health System Series 2003

Mr. Day reminded the Members that on November 20, 2003, the Authority issued the Series 2003 Bonds on behalf of AHS Hospital Corporation ("AHS") in an aggregate amount of \$75,075,000. The proceeds were used to refund the Mountainside Hospital Series 1993 Bonds issued by the Authority and to reimburse AHS for capital equipment it purchased in 2003 and 2004.

In March, AHS sold Mountainside Hospital ("Mountainside") to Merit Mountainside, LLC for \$30,000,000. AHS now requests the Authority's permission to spend the proceeds of the Mountainside sale on qualified costs for facilities at the Morristown and Overlook campuses in order to satisfy the safe harbor provision of the Internal Revenue code to assure the continued tax-exempt status of the interest on the Series 2003 Bonds.

Bond counsel for the Series 2003 bonds, Gary Walsh, Esq. of Windels Marx Lane & Mittendorf, verified the average maturity of the Series 2003 bonds and the minimum required useful life of the assets to be financed with these proceeds. In addition, Mr. Walsh provided

documents for Charitable Asset Protection Act (CHAPA) approval to the Attorney General. The Attorney General's office has no objection to the Authority's consideration of this matter.

Mr. Escher moved to approve the requested amendment on behalf of AHS's Series 2003 bonds. Ms. Stokely seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-15

(attached)

AMENDMENT OF SERIES RESOLUTION

Saint Barnabas Series 2006A

Wanda Lewis reminded the Members that the Authority has issued several series of bonds on behalf of Saint Barnabas Health Care System ("St. Barnabas"), the most recent of which was a two-series transaction issued on December 19, 2006. Series 2006A was issued in the amount of \$72,120,000.00 and Series 2006B was in the amount of \$124,999,653.65. The proceeds were used to: advance refund and currently refund certain maturities of bonds issued through this Authority and the Economic Development Authority; acquire equipment and other capital budget items; and, construct and renovate portions of the facilities. Proceeds were also used to fund the Debt Service Reserve Fund.

Capital Markets Management, LLC (financial advisor to St. Barnabas) has since advised St. Barnabas that it would be beneficial to invest \$19,000,000 from the Debt Service Reserve Fund in a Forward Delivery Agreement. Approximately \$11,000,000 of income would be generated from this investment, all of which would exceed what is currently required in the funds and accounts maintained by US Bank, NA as bond trustee. St. Barnabas requests that this income be deposited into accounts maintained by the Corporation.

According to bond counsel (Wolff and Samson PC), trustee counsel (McManimon & Scotland, LLC) and Deputy Attorney General Clifford Rones, the Forward Delivery Agreement is an allowable investment under the bond documents. However, directing the income generated by the Agreement to the Corporation rather than having it remain in the Debt Service Reserve Fund is not currently permitted under the Resolutions. In order to allow this cash flow, the Authority will need to adopt a Supplemental Resolution pursuant to Section 10.01 of the General Resolution to amend the cash flow provisions governing the Debt Service Reserve Fund. Bond Counsel (Wolff and Samson) prepared a form of Supplemental Resolution to these ends. The Supplemental Resolution also authorizes the Authorized Officers of the Authority to approve the form of the Forward Delivery Agreement and to acknowledge and deliver it.

Mr. Escher made a motion to approve amendment as requested by St. Barnabas. Ms. Stokely seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-16

(attached)

RATIFICATION OF HUD CONSENT TO RELEASE FUNDS FROM DEPRECIATION RESERVE FUND

Barnert Hospital

Mr. Hopkins reminded the Members that Barnert Hospital asked the Authority and HUD for two concessions last month: (i) to consent to the release of accounts receivable in order to get

a financing secured by A/R and (ii) to allow Barnert to use a portion of the Depreciation Reserve Fund to make its monthly mortgage payments for June and July. HUD refused both requests. As the Authority traditionally does when FHA insures the mortgage securing bonds, the Authority followed HUD's lead. The Depreciation Reserve Fund is a fund typically required by HUD when the FHA insures a mortgage. The fund acts as security for the mortgage and, therefore, is for the benefit of HUD.

HUD has since reconsidered part of Barnert's request and has agreed to release funds from the Depreciation Reserve Fund to make the monthly mortgage payments, upon certain conditions identified in a letter that was provided to the Members. HUD asked the Authority staff to consent or state that the Authority has no objection to the release of the Depreciation Reserve Fund as outlined in the request. In light of the fact the June mortgage payment needed to be made before the Authority meeting, and based on staff's belief that the Authority's consent was not required, staff agreed to execute the letter indicating that the Authority has no objection. Staff requested that the Authority Members ratify that action.

Mr. Escher offered a motion to ratify staff's non-objection to HUD's Consent to release funds from Barnert Hospital's Depreciation Reserve Fund to make monthly mortgage payments for June and July; Ms. Stokely seconded.

In response to a question from Mr. Escher, staff replied that the Authority currently has four HUD-insured transactions and noted that a request to use the Depreciation Reserve Fund in this manner had been made and approved once before, also by Barnert. Though Barnert was supposed to have repaid it since, it had not. Still, HUD was comfortable approving this most recent request for the months of June and July. The requested withdrawal would be for \$190,000 per month (June and July) from a \$2.9 million fund. Mr. Hopkins noted that Barnert has already made a request to use the Depreciation Reserve Fund in the same manner for August as well; HUD has yet to respond. It was reiterated that the Members are being asked, not to approve or deny the request to use the funds in this manner, but rather to follow HUD's lead on their decision of whether to allow or disallow such use.

Mr. Escher expressed that he was comfortable with this and amended his motion to include following HUD's lead with respect to the August mortgage payment, as well. Ms. Stokely seconded the amended motion. The vote was unanimous and the amended motion carried.

AB RESOLUTION NO. HH-17

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby ratifies staff's non-objection to HUD's consent to allow Barnert to use a portion of the Depreciation Reserve Fund to make its monthly mortgage payments for the months of June, July and, if HUD approves, August in 2007.

APPROVAL OF DIVISION OF LAW AGREEMENT

Jim Van Wart presented the Division of Law and Public Safety's proposed Client Agency Agreement for legal services to be provided to the Authority for the period from July 1, 2007 to June 30, 2008. As in previous years, the proposed agreement contemplates the assignment of 1.5 Deputy Attorneys General, which represents 1,800 hours of work on behalf of the Authority. It also contemplates the use of .80 Clerical/Secretarial staff plus overhead. Mr. Van Wart noted that the Authority only pays for service hours utilized.

The estimated annual cost of \$245,359 reflected in the agreement is based on the average cost of all deputies presently on staff. By way of comparison, estimated fees for the 2007 fiscal year were \$234,895. Through March 31, 2007 on a fiscal year basis for three quarters, actual fees from the Attorney General's office have been \$93,634 compared to approximately \$176,171 that was estimated for the same period. The Authority's 2007 budget (calendar year) includes \$110,000 for this category. Actual billings for calendar 2006 were \$94,203.

Mr. Escher offered a motion to approve the proposed Division of Law Agreement; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-18

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the proposed Division of Law Agreement for the period from July 1, 2007 to June 30, 2008.

AMENDMENT TO 2007 BUDGET

Services of the Attorney General's Office

Mr. Van Wart reported to the Members that, on a cash basis, the Authority has already paid \$77,014 in this calendar for two quarters' worth of services from the Attorney General's Office. The large expense is primarily due to the high demand for their services on the two St. Mary's transactions (which totaled approximately \$43,985 in Deputy Attorneys General fees). Since two more quarterly billings remain in calendar 2007, and staff is concerned that there may be a budget shortfall for this expense category. Mr. Van Wart asked the Members to consider amending the Authority's cash budget by adding \$50,000 to this line item. He noted that this amendment will give the budget an excess of expenses over revenues of \$3,813, though this is primarily due to the cost of Navigant Consulting's services to the *Commission on Rationalizing New Jersey's Health Care Resources*.

Mr. Escher offered a motion to approve the budget amendment, as recommended by staff; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-19

NOW, THEREFORE, BE IT RESOLVED that the Authority hereby amends the 2007 Budget, increasing the "Services of the Attorney General's Office" line item by a \$50,000 to total \$160,000.

ADOPTION OF CORPORATE BANKING RESOLUTIONS, FACSIMILE SIGNATURE RESOLUTIONS & SIGNATURE CARDS

Dr. Jacobs reminded the Members that every year, after the May election of Authority Officers, staff must provide the Authority's bank with new corporate banking resolutions, facsimile signature resolutions and signature cards. Mr. Escher offered a motion to adopt these updated resolutions; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-20

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts corporate banking resolutions and facsimile signature resolutions, as a result of the May 2007 election of officers.

BOARD RETREAT FOLLOW-UP

Dr. Jacobs stated that, at the Authority's retreat earlier in the month, the Members discussed ways in which a number of Authority policies could be modernized to better fit the needs of the Authority's borrowing and bondholding communities. In the days following the retreat, staff carefully reviewed the discussions, extracting the various perspectives that had been agreed upon by all the Members. Staff then drafted resolutions revising the existing policies according to these consensuses. Dr. Jacobs directed the Members' attention to copies of these resolutions, along with a brief write-up of each issue and discussion that directed the revision, in the Members mailing packets. He noted that each resolution required a motion, a second, and a vote to be approved.

A. Electronic OS Dissemination

Mr. Escher offered a motion to adopt the resolution allowing for electronic dissemination of Official Statements in the manner and circumstances agreed upon by the Members at the retreat; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-21

WHEREAS, staff is sympathetic to the request of industry representatives for electronic access other than with respect to the delivery requirements,

NOW, THEREFORE, BE IT RESOLVED, that staff will work with the Attorney General's Office to formulate proper disclaimer language that can be used in conjunction with electronic access to the Official Statement, and

BE IT FURTHER RESOLVED, that, until the SEC rules otherwise, purchase of an Authority bond in the primary market will continue to require delivery of a hard copy of the Official Statement, and access to an electronic copy will only be in addition to the delivery of the hard copy as an accommodation upon the acknowledgement of proper disclaimer language by the recipient.

B. Global Authorization to Staff for the Identification of Forward Hedging Agreements

Mr. Escher offered a motion to adopt the resolution granting an authorized officer of the Authority the right to identify forward hedging agreements for anticipated bond transactions, noting that this in no way obligates the Authority to approve the anticipated bond sale; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-22

(attached)

C. Bond Sale Contingencies

Ms. Kralik offered a motion to affirm the Authority's current policy to approve bond sales on a contingent basis with market factors representing the contingencies, noting to staff that the Members will also consider other contingencies deemed valid by staff where a borrower specifically demonstrates a hardship, not of their own doing; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-23

NOW, THEREFORE, BE IT RESOLVED, that the Authority's current policy of approving bond sales on a contingent basis, with market factors representing acceptable contingencies, is affirmed, and

BE IT FURTHER RESOLVED, that staff is directed to work with each borrower and, to the extent that staff believes that a borrower has demonstrated a hardship (not of the borrower's own making) and has submitted an appropriate request for a waiver of the general policy, the Members will entertain such waivers.

D. Mortgage & Title Insurance

Dr. Jacobs noted that, while the issue of Mortgage and Title Insurance was one of the more divisive subjects for the Members, staff believes a majority of the Members agreed with the concepts in the proposed resolution. Ms. Kralik offered a motion to adopt the resolution outlining the revised mortgage policy as distributed in the meeting materials; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-24

(attached)

E. Derivatives

Dr. Jacobs noted that, at the retreat, the Members stated that they would like staff to coordinate a collective industry working group to develop an Authority policy going forward for derivative products. The Members agreed on certain requirements that should be put in place in the meantime, which staff put into the proposed resolution. Ms. Stokley offered a motion to adopt this resolution; Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-25

(attached)

F. Requirements for Captive and Self-Insurance Entities

Dr. Jacobs noted that, similar to the direction given on derivatives, the Members also asked that staff coordinate a collective industry working group to draft an Authority policy on

self-insurance and captive entities. The Members again agreed on certain requirements to put in place in the meantime, which staff wrote into a resolution. Mr. Escher offered a motion to adopt this resolution; Ms. Stokley seconded.

Ms. Kralik asked for clarification as to why the Authority opted to drop the rating requirement during the time in which it seeks to draft a new policy, to which Mr. Hopkins stated the new policy is expected to eliminate the A.M. Best rating. Mr. Escher further stated that in the course of the discussion, the Members learned that the rating requirement was unrealistic for the Authority's needs.

The Members then voted with Dr. Jacobs voting yes, Mr. Escher voting yes, Mr. Lee voting yes, and Ms. Stokley voting yes, while Ms. Kralik abstained. The motion carried through a majority vote.

AB RESOLUTION NO. HH-26

(attached)

G. Remedies for Covenant Defaults

Mr. Escher offered a motion to adopt the resolution directing staff to incorporate additional "middle ground" remedies into the Authority's covenant language; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-27

WHEREAS a breach of the "Required Ratios" covenant is likely to be the first indication of serious financial difficulty, and

WHEREAS the Authority would like an additional "middle ground" remedy to be implemented in the covenant language,

NOW, THEREFORE, BE IT RESOLVED, that the Authority's documents will add language to the loan agreement in the form attached that will enable Authority staff to interact with borrower board representatives rather relying on the borrower's management to facilitate such interaction.

H. Fee Schedule

Mr. Escher offered a motion to adopt the resolution adjusting the Authority's fee schedule as agreed upon at the retreat; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-28

(attached)

I. Permission for a Private Placement

Mr. Escher offered a motion to adopt the resolution adjusting the Authority's language regarding permission for use of a private placement; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-29

NOW, THEREFORE, BE IT RESOLVED, that the Authority's Procedures to Implement Executive Order No. 26 under Method of Sale will be modified to state the following:

- "A private placement would be permitted if, based on an analysis by the borrower, a private placement would be more beneficial to the borrower than a public sale, and the borrower provides, in writing to the Authority, the reason(s) for the use of a private placement."

J. Investor Letter Requirement

Mr. Escher offered a motion to adopt the resolution updating the Authority's investor letter requirement for a private placement, as concluded at the retreat; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-30

NOW, THEREFORE, BE IT RESOLVED, that the Authority's investor letter requirement for a private placement be revised as follows:

- For private placements where the borrower has agreed to provide an initial disclosure document and to provide continuing secondary market disclosure, the Authority will require an Investor Letter, as in the past, however the letter will make no reference to indemnification of the Authority or the need for similar investor letters from future bondholders.
- Failure to provide these two forms of disclosure will require that the Investor Letter include either indemnification from the initial purchaser or the requirement for a traveling investor letter.

K. Financial Feasibility Study Requirement

Mr. Escher offered a motion to adopt the resolution dropping the Authority's requirement for a feasibility study; Ms. Kralik seconded. Mr. Fillebrown responded to a question from Mr. Escher by stating that requirement for management projections that extend one year beyond the use of an issue's proceeds will remain. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-31

NOW, THEREFORE, BE IT RESOLVED, that, as discussed at the Authority's 2007 Board Retreat, the Authority shall no longer require a feasibility study, with the understanding that, should a borrower need a feasibility study to sell bonds, the underwriter or placement agent may ask the borrower to obtain one.

L. Executive Order No. 26 Compliance

Mr. Escher offered a motion to adopt the resolution affirming that the Authority shall continue to advertise RFPs every two years; however, adding that firms already on the Qualified Bankers List will no longer have to reapply unless their status has changed; Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-32

(attached)

M. Good Faith Deposits

Dr. Jacobs noted that, while the issue was discussed quickly at the end of the retreat, the Members did agree that the Authority's broad requirement for good faith deposits is outdated. While not abandoning the requirement in all situations, staff put together a resolution outlining two circumstances in which the requirement would remain, while stating that, in all other cases, the requirement would be dropped. Mr. Escher offered a motion to adopt this resolution; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-33

NOW, THEREFORE, BE IT RESOLVED, that, with respect to the Authority's requirement for a Good Faith Deposit, the Authority will be guided by the requirements of the Treasurer or Office of Public Finance in the following two scenarios:

1. The Authority acts as the issuer for state-related issues (such as the Greystone transaction)
2. There is a state contract (as in the St. Mary's issue)

BE IT FURTHER RESOLVED, that, on standard Authority transactions that do not fit one of the two scenarios noted above, Good Faith Deposits will no longer be required.

AUTHORITY EXPENSES

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

AB RESOLUTION NO. HH-34

WHEREAS, the Authority has reviewed memoranda dated June 21, 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 \$910,606.99, \$126,920.66 and \$14,017.85 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, and a Legislative Advisory. Mr. Hopkins then announced the following items in his Executive Director's Report:

1. Mr. Hopkins applauded the Authority staff for their work on the Authority Retreat, particularly Dennis Hancock for doing the research and preparing background materials on most of the issues and Carole Conover and Stephanie Bilovsky for handling the logistics of the event. He commended Sean Hopkins of the New Jersey Hospital Association and Jerry Solomon of the National Federation of Municipal Analysts for their insightful comments. He thanked Dr. Jacobs and Michele Guhl for their informative presentations, and then expressed deep gratitude to Michael Irwin of Citigroup Global Markets, Scott Kobler of McCarter & English and Chuck Toto of Hawkins, Delafield and Wood for volunteering a day and a half of their time to provide Members and staff with their expert advice. He also acknowledged the dedication and involvement of the Authority Members during the Retreat.
2. An amendment to the Authority's enabling legislation was passed by both the Assembly and Senate on June 21st and is awaiting the Governor's signature. The Amendment broadens the type of projects eligible for State-backed bonds under the Hospital Asset Transformation Program. Specifically, to assist in the closure of an inpatient acute care hospital, bonds can be issued to: (i) satisfy the outstanding bonded indebtedness or any other outstanding indebtedness of any hospital in the State; (ii) pay the costs of transitioning a general hospital to a nonprofit, non-acute care health care-related facility; (iii) pay the costs related to transitioning acute care and related services from the hospital at which inpatient acute care services are to be terminated to an existing nonprofit general hospital; (iv) pay the costs associated with the closure of a general hospital; (v) pay the acquisition costs of a general hospital in the State for the purpose of a) closing its inpatient acute care services, or b) moving into an acquired hospital and then closing the acquirer's inpatient acute care services; (vi) pay capitalized interest, fund a debt service reserve fund, pay the costs associated with the issuance of bonds the above purposes; or (vii) pay other costs specifically related to the closure or transition of inpatient acute care services as identified in the contract with the Treasurer.
In response to a question from Mr. Escher, Mr. Hopkins stated that the bill will likely be signed by the Governor today or tomorrow, since there are portions of this legislation incorporated in the budget which is expected to be signed today. He added that the legislation, however, has no appropriation behind it.
3. The *Commission on Rationalizing New Jersey's Health Care Resources* held meetings at the Authority offices on May 30th and June 22nd. Its next

meeting will be held on July 20th. The Commission's interim report is expected to be released tomorrow.

4. In hospital news, Pat Peterson announced that she is stepping down as President and Chief Executive Officer of St. Mary's Hospital once a replacement is identified. The St. Mary's board will be commencing a search shortly for her replacement. Also, Merit Health Systems, a Kentucky for-profit corporation, completed its acquisition of Mountainside Hospital from Atlantic Health System on June 1st.
5. In Authority news, Jennifer Velez was confirmed by the Senate as Commissioner of Human Services on June 21, 2007. Thom Jackson was confirmed by the Senate as a board member of University Hospital on June 21. Due to the fact that our enabling statute prohibits hospital board members from serving as Authority Members, he will be submitting his resignation from the Authority shortly. He commended the other Authority Members and the Authority Staff. Also, Barbara Koozin, Administrative Assistant in the Division of Operations and Finance, announced her resignation effective July 11th, as she will be relocating to Colorado, and Assistant Account Administrator Tony Gennari announced that he intends to retire in November.
6. The working group established to draft a proposed policy to comply with Executive Order No. 34 met by telephone and put together some ideas that were presented to the Attorney General's Office for feedback. They will have a follow-up meeting on July 9th.

Dr. Jacobs and Mr. Escher reiterated the compliments to staff for the retreat.

EXECUTIVE SESSION

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

AB RESOLUTION NO. HH-35

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public Meetings Act and the Authority's By-Laws, the Authority meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General.

BE IT FURTHER RESOLVED, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

Public session reconvened.

As there was no further business to be addressed, Mr. Escher moved to adjourn the meeting, Dr. Jacobs seconded. The vote was unanimous, and the motion carried at 11:15 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 JUNE 28, 2007.

Carole A. Conover
Assistant Secretary

AB RESOLUTION NO. HH-13

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

St. Joseph's Healthcare System

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, St. Joseph's Healthcare System has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the "Financing"); and,

WHEREAS, St. Joseph's Healthcare System has requested that the Authority consider approving the pursuit of a negotiated sale; and,

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

WHEREAS, market conditions may be considered volatile; and,

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

WHEREAS, the Authority is desirous of being responsive to St. Joseph's Healthcare System's request; and,

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

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

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

AB RESOLUTION NO. HH-14

A RESOLUTION AUTHORIZING (1) AN AMENDED AND RESTATED TRUST AGREEMENT AND OTHER RELATED DOCUMENTS, (2) CHANGES TO THE AUCTION PERIODS AND AUCTION DATES AND (3) THE REMOVAL AND REPLACEMENT OF A BROKER-DEALER FOR THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, HACKENSACK UNIVERSITY MEDICAL CENTER ISSUE, SERIES 2004

WHEREAS, the New Jersey Health Care Facilities Financing Authority (the "**Authority**") was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:21-1, et seq.) (the "**Act**"), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the "**State**"); and

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

WHEREAS, Hackensack University Medical Center (the "**Borrower**") is a nonprofit corporation organized under the laws of the State and a health care organization; and

WHEREAS, the Authority has previously issued its Revenue Bonds, Hackensack University Medical Center Issue Series 2004 (the "**Bonds**") in the original aggregate principal amount of \$150,000,000, pursuant to the provisions of the Act to provide funds which, together with other funds, have been used by the Borrower to (i) provide for the payment of (a) the costs of acquisition of medical and other capital equipment; (b) the costs of construction of the Women's and Children's Pavilion and parking garage; (c) the costs of improvements to operating rooms and additional space for clinical programs; and (d) the costs of renovations to the Borrower's facilities (the "**Project**"), (ii) fund capitalized interest on the Bonds during construction of the Project and (iii) pay certain costs incidental to the issuance and sale of the Bonds, including the bond insurance premium for the Bonds; and

WHEREAS, the Bonds were issued in Tranche I, Tranche II, Tranche III and Tranche IV, each in the amount of \$37,500,000, pursuant to a Trust Agreement dated as of February 1, 2004 (the "**2004 Trust Agreement**") between the Authority and The Bank of New York, as trustee (the "**Bond Trustee**"), and currently bear interest in the Auction Mode (as such term is defined in the 2004 Trust Agreement); and

WHEREAS, the Authority, at the request of the Borrower, has determined to change the Auction Period for the Bonds of Tranche I and the Bonds of Tranche III from a 35-day Auction Period to a seven-day Auction Period (as such term is defined in the 2004 Trust Agreement) in accordance with Section 2.9 of the 2004 Trust Agreement; and

WHEREAS, the Authority hereby wishes to consent to a change in the Auction Date (as such term is defined in the 2004 Trust Agreement) by the Auction Agent (as hereinafter defined) from a Thursday Auction Date to a Monday Auction Date for the Bonds of Tranche I; and

WHEREAS, the Authority, at the request of the Borrower, desires to amend and restate the 2004 Trust Agreement in its entirety in accordance with Section 2.9(7)(b) and 9.1 thereof, to reflect the changes to the auction provisions to conform with current market practices; and

WHEREAS, the Authority has previously appointed Wilmington Trust Company as Auction Agent (the "**Auction Agent**") for the Bonds and entered into an Auction Agreement by and among the Authority, the Auction Agent, the Borrower and the Trustee dated as of February 1, 2004 (the "**Auction Agreement**"), and the Authority desires to amend and restate the Auction Agreement to reflect the changes to the auction provisions and to otherwise conform with the actions contemplated by this Resolution; and

WHEREAS, the Authority has previously appointed Bear, Stearns & Co., Inc. ("**Bear Stearns**") and UBS Financial Services Inc. ("**UBS**") as the Broker-Dealers (as such term is defined in the 2004 Trust Agreement) for the Bonds; and

WHEREAS, the Borrower has requested the Authority to remove UBS as a Broker-Dealer for the Bonds of Tranche II and the Bonds of Tranche III, and appoint Merrill Lynch, Pierce, Fenner & Smith Incorporated ("**Merrill Lynch**") as a Broker-Dealer for such Bonds; and

WHEREAS, Merrill Lynch (i) is permitted by law to perform the functions required of a Broker-Dealer, (ii) is a member of, or a direct participant in, the Securities Depository (as defined in the 2004 Trust Agreement) and (iii) will enter into a Broker-Dealer Agreement (as defined in the 2004 Trust Agreement), the form of which has been submitted to the Authority for approval; and

WHEREAS, the Authority desires to amend and restate the current Broker-Agreement by and among Authority, the Borrower, the Auction Agent and Bear Stearns to reflect the changes to the auction provisions and to otherwise conform with the actions contemplated by this Resolution.

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

- **Removal and Replacement of UBS as Broker-Dealer; Approval of Merrill Lynch as Broker-Dealer; Approval of Broker-Dealer Agreements.** UBS shall be removed as a Broker-Dealer for the Bonds of Tranche II and the Bonds of Tranche III, and Merrill Lynch is hereby appointed as a Broker-Dealer for such Bonds. The form of Broker-Dealer Agreement by and among the Authority, the Borrower, the Auction Agent and Merrill Lynch (the "**Merrill Broker-Dealer Agreement**") and the form of Amended and Restated Broker-Dealer Agreement by and among the Authority, the Borrower, the Auction Agent and Bear Stearns (the "**Amended and Restated Bear Stearns Broker-Dealer Agreement**") presented to this meeting (copies of which shall be filed with the records of the Authority) are hereby approved and the Chairman, Vice Chairman, Executive Director or Deputy Executive Director are each hereby authorized and directed to execute and deliver, a Merrill Broker-Dealer Agreement and an Amended and Restated Bear Stearns Broker-Dealer Agreement in substantially such forms, with such changes

therein as counsel may advise and the officers executing the same may approve, such approval to be evidenced by their execution thereof.

- **Approval of Changes in Auction Period and Auction Date.** The Authority hereby approves the change in the Auction Period for the Bonds of Tranche I and the Bonds of Tranche III from a 35-day Auction Period to a seven-day Auction Period. The Authority hereby consents to the change in the Auction Date from Thursday to Monday for the Bonds of Tranche I.
- **Approval of Amended and Restated Trust Agreement.** The form of Amended and Restated Trust Agreement by and between the Authority and the Trustee (the “**Amended and Restated Trust Agreement**”) presented to this meeting (a copy of which shall be filed with the records of the Authority) is hereby approved and the Chairman, Vice Chairman, Executive Director or Deputy Executive Director are each hereby authorized and directed to execute, acknowledge and deliver, and the Secretary or Assistant Secretary are each hereby authorized and directed to affix and attest the seal of the Authority to an Amended and Restated Trust Agreement in substantially such form, with such changes therein as counsel may advise and the officers executing the same may approve, such approval to be evidenced by their execution thereof.
- **Approval of Amended and Restated Auction Agreement.** The form of Amended and Restated Auction Agreement by and among the Authority, the Auction Agent, the Borrower and the Trustee (the “**Amended and Restated Auction Agreement**”) presented to this meeting (a copy of which shall be filed with the records of the Authority) is hereby approved and the Chairman, Vice Chairman, Executive Director or Deputy Executive Director are each hereby authorized and directed to execute, acknowledge and deliver, and the Secretary or Assistant Secretary are each hereby authorized and directed to affix and attest the seal of the Authority to an Amended and Restated Auction Agreement in substantially such form, with such changes therein as counsel may advise and the officers executing the same may approve, such approval to be evidenced by their execution thereof.
- **Incidental Action.** The Authorized Officers of the Authority are hereby authorized and directed to execute and deliver such other documents and to take such other action as may be necessary or appropriate in order to effectuate the actions contemplated by this Resolution, all in accordance with the foregoing sections hereof.
- **Prior Resolutions.** All prior resolutions of the Authority or portions thereof inconsistent herewith are hereby replaced.
- **Effective Date.** This Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

AB RESOLUTION NO. HH-15

**RESOLUTION OF THE AUTHORITY AUTHORIZING
THE SUPPLEMENTAL PROJECT OF AHS HOSPITAL CORP.**

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

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

WHEREAS, AHS Hospital Corp. (the “Institution”) is a nonprofit corporation organized under the laws of the State and a health care organization; and

WHEREAS, the Authority has previously issued its Revenue Bonds, AHS Hospital Corporation Issue, Series 2003 (the “Bonds”) pursuant to a Trust Agreement by and between the Authority and Commerce Bank, National Association (the “Trustee”), dated as of November 1, 2003 (the “2003 Trust Agreement”); and

WHEREAS, the proceeds of the Bonds were loaned to the Institution pursuant to that certain Loan Agreement by and between the Authority and the Institution dated as of November 1, 2003 (the “2003 Loan Agreement”), and; and

WHEREAS, a portion of the proceeds of the Bonds were spent at Mountainside Hospital (“Mountainside”), a division of AHS Hospital Corp.; and

WHEREAS, the Institution has recently sold Mountainside to Merit Health System, LLC for a sale price of \$30,000,000 (the “Sale Proceeds”); and

WHEREAS, the Authority has determined to supplement the 2003 Trust Agreement (the “First Supplemental Trust Agreement”, and together with the 2003 Trust Agreement, the “Trust Agreement”) to, among other things, establish the Mountainside Sale Proceeds Account within the Project Fund established by the Trust Agreement to be held by the Trustee; and

WHEREAS, the Authority and the Institution desire for the Sale Proceeds to be deposited in the Mountainside Sale Proceeds Account; and

WHEREAS, the Authority and the Institution desire to supplement the 2003 Loan Agreement (the “Supplemental Loan Agreement”, and together with the 2003 Loan Agreement, the “Loan Agreement”) to, among other things, authorize the expenditure of the Sale Proceeds on capital improvements to, and the acquisition of equipment for, the health care facilities of the Institution,

all as more particularly described on Exhibit A attached to the Supplemental Loan Agreement (the “Supplemental Project”); and

WHEREAS, a public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended, has been conducted on June 28, 2007, after public notice of such hearing was published at least fourteen days prior thereto.

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

Section 1. Consent to Supplemental Project. The Authority hereby consents to the Institution’s Supplemental Project in accordance with the terms of the Loan Agreement and the Trust Agreement.

Section 2. Approval of First Supplemental Trust Agreement and Supplemental Loan Agreement. The forms of the First Supplemental Trust Agreement and Supplemental Loan Agreement presented to this meeting (a copy of each of which shall be filed with the records of the Authority) are hereby approved and the Chairman, Vice Chairman, Executive Director or Deputy Executive Director (each, an “**Authorized Officer**”) are each hereby authorized and directed to execute, acknowledge and deliver, and the Secretary or Assistant Secretary are each hereby authorized and directed to affix and attest the seal of the Authority to the First Supplemental Trust Agreement and the Supplemental Loan Agreement in substantially such forms, with such changes therein as counsel may advise and the officers executing the same may approve, such approval to be evidenced by their execution thereof.

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

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

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

AB RESOLUTION NO. HH-16

**A SUPPLEMENTAL RESOLUTION REGARDING THE
NEW JERSEY HEALTH CARE FACILITIES FINANCING
AUTHORITY REVENUE BONDS, SAINT BARNABAS
HEALTH CARE SYSTEM ISSUE, SERIES 2006A AND
SERIES 2006B.**

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

WHEREAS, on November 21, 2006 the Authority adopted a series resolution entitled: “A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, SAINT BARNABAS HEALTH CARE SYSTEM ISSUE, SERIES 2006A AND SERIES 2006B” (the “Series Resolution”, and together with the General Resolution, the “Resolutions”); and

WHEREAS, on December 19, 2006 the Authority, in keeping with its purposes, issued its Revenue Bonds, Saint Barnabas Health Care System Issue, Series 2006A (the “Series 2006A Bonds”) and Series 2006B (the “Series 2006B Bonds” and together with the Series 2006A Bonds, the “Series 2006 Bonds”), under the General Resolution and the Series Resolution for the purpose of lending to Saint Barnabas Corporation, a nonprofit corporation, duly organized and existing under the laws of the State and a health care organization under the Act (the “Institution”) and, together with any of its successors and assigns, and as Obligated Group Representative (the “Borrower”), funds to be used, together with other available moneys, to (i) acquire equipment and other capital budget items to be used by members of the Saint Barnabas Health Care System (the “System”), (ii) construct and/or renovate portions of the facilities of the members of the System as set forth in the Series Resolution, (iii) refund all or a portion of certain outstanding maturities of certain prior bonds issued for the benefit of the Borrower, as designated with particularity in the Certificate of Executive Director Pursuant to Series Resolution dated December 7, 2006, (iv) fund the Debt Service Reserve Fund (as such term is defined in the Resolutions) for the Series 2006 Bonds, and (v) pay certain costs incidental to the issuance and

sale of the Series 2006 Bonds, including deposits to certain funds created under the General Resolution or under the Series Resolution; and

WHEREAS, the Borrower proposes to enter into a forward delivery agreement (the “Agreement”) which shall constitute an Investment Obligation (as such term is defined by the General Resolution as supplemented pursuant to Section 6.1(f) of the Series Resolution), by and among a provider to be determined which shall be an Eligible Provider (as such term is defined in Exhibit A to the Series Resolution) (the “Provider”), U.S. Bank National Association, as Trustee (the “Trustee”), and the Borrower, to be acknowledged by the Authority, with respect to the investment of funds in the Debt Service Reserve Fund, pursuant to which the Provider shall pay to the Borrower the proceeds generated by the Agreement (the “Investment Obligation Proceeds”); and

WHEREAS, in connection with the Agreement, the Borrower has requested that the Authority amend Section 3.3 of the Series Resolution to provide that, upon written direction to the Trustee from the Borrower, the Trustee shall pay to the Borrower the Investment Obligation Proceeds received from the Provider; and

WHEREAS, pursuant to Section 10.01(c) of the General Resolution, the Authority may adopt at any time or from time to time a supplemental resolution for the purpose of amending the Resolutions as it deems advisable and as shall not impair the security for the Series 2006 Bonds or adversely affect the interests of the holders of the Series 2006 Bonds; and

WHEREAS, Wolff & Samson PC, as bond counsel to the Authority in connection with the Series 2006 Bonds, is delivering to the Authority its opinion that the amendment to the Resolutions provided for in this Supplemental Resolution does not impair the security for the Series 2006 Bonds or adversely affect the interests of the holders of the Series 2006 Bonds; and

WHEREAS, the Authority deems it advisable to amend the Resolutions as set forth herein.

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

Section 1. Definitions.

(a) Capitalized words and terms used in this Supplemental Resolution which are defined in the Resolutions shall have the same meanings in this Supplemental Resolution as such words and terms are given in the Resolutions.

(b) The following terms shall have the meanings hereinabove given:

“Agreement”

“Borrower”

“General Resolution”

“Institution”

“Investment Obligation Proceeds”

“Provider”
“Resolutions”
“Series Resolution”
“Series 2006 Bonds”
“System”

Section 2. Authority for Supplemental Resolution. This Supplemental Resolution is adopted pursuant to the provisions of the Act and the Resolutions.

Section 3. Amendment of Series Resolution. Section 3.3 of the Series Resolution is hereby amended and supplemented by adding the following subsection thereto:

(c) In the event that funds on deposit in the Debt Service Reserve Fund are invested in an Investment Obligation pursuant to which the Borrower is to receive payment of the proceeds thereof (the “Investment Obligation Proceeds”) from the provider thereof (the “Provider”), pursuant to an agreement entered into by and among the Borrower, the Trustee and the Provider, and acknowledged by the Authority, the Trustee shall, upon the written direction of the Borrower, pay to the Borrower the Investment Obligation Proceeds received.

Section 4. Approval of Investment Obligation Agreement. The Agreement, which shall constitute an Investment Obligation with an Eligible Provider and which shall be in a form to be approved by an Authorized Officer of the Authority, is hereby authorized and approved. The Authorized Officers of the Authority are hereby authorized to approve, execute and deliver, on behalf of the Authority, the Agreement.

Section 5. Effective Date. This Supplemental Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery to the Governor of the State of New Jersey of the minutes of the meeting of the Authority at which this Supplemental Resolution is adopted or at such earlier time as the Governor of the State of New Jersey signs a statement of approval, all in accordance with subsection (i) of Section 4 of the Act.

RESOLUTION NO. HH-22

A RESOLUTION AUTHORIZING THE IDENTIFICATION OF HEDGE AGREEMENTS TO BE ENTERED INTO BY HEALTH CARE ORGANIZATION TO HEDGE THE INTEREST RATE TO BE BORNE ON BONDS TO BE REQUESTED TO BE ISSUED BY THE AUTHORITY

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

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

WHEREAS, health care organizations request from time to time, that the Authority issue bonds on their behalf and prior to the issuance of such bonds, such health care organizations may desire to enter into a contract (which may be an interest rate swap, an interest rate cap or such similar type arrangement) on a forward basis (the “**Hedge Agreement**”); and

WHEREAS, Treas. Reg. 1.148–4(h)(2) and Treas. Reg. 1.148–4(h)(5) (together, the “**Treasury Regulations**”) requires the issuer of bonds to identify on its books and records a Hedge Agreement as being applicable to a certain series of bonds issued by it; and

WHEREAS, the Authority desires to authorize certain officers to have the power to identify the Hedge Agreement as being applicable to such series of bonds;

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

Section 1. Identification of the Hedge Agreement. In accordance with the Treasury Regulations, the Authority hereby authorizes and directs the Chairman, Vice Chairman, Secretary, Treasurer, Assistant Treasurer, Executive Director or Deputy Executive Director of the Authority to identify on the books and records of the Authority a Hedge Agreement as being applicable to the respective bonds to be issued for the benefit of a health care organization, and as such, for purposes of the Treasury Regulations, the applicable bonds are to be identified as the “Hedged Bonds”. If and when executed, the Hedge Agreement will allow the respective health care organizations to reduce the risk of interest rate changes. Notwithstanding the foregoing, neither the adoption of this Resolution nor the identification of the Hedge Agreement on the books and records of the Authority in accordance with the foregoing shall obligate the Authority to issue any bonds for the benefit of the respective health care organization or to approve the issuance of such Bonds.

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

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

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

AB RESOLUTION NO. HH-24

**RESOLUTION REGARDING MORTGAGE
AND TITLE INSURANCE**

NOW, THEREFORE, BE IT RESOLVED, that the Authority's policy requiring Mortgage and Title Insurance shall be revised according to the following recommendation by staff, confirmed by the discussion from the 2007 retreat:

1. For enhanced issues and issues sold privately, the question of mortgages and title insurance shall be up to the enhancer or purchaser.
2. For unenhanced issues with ratings at or above the A3/A- level, the Authority will not independently require a mortgage but will require that a negative pledge be recorded at closing.
3. For unenhanced issues with one or more ratings below A3/A- (or unrated), a mortgage will be required on; a) main operating facilities' footprint in the case of an issue where proceeds are used at that facility, and b) any associated facilities that are financed with proceeds from the bonds.
4. For any issue where there are existing bonds that are secured by a mortgage, the new issue will be secured on parity with existing bondholders.
5. When a mortgage is provided as security, title insurance in an amount equal to the bonds issued less any debt service reserve fund will be required.
6. To the extent that there are circumstances which will cause clear hardship or inequity for a particular borrower, the Authority is willing to consider those circumstances as they occur. Input from the underwriter, financial condition of the borrower, experience and strength of borrower management, among other things, will be considered by the Authority during any deliberations when the borrower requests a waiver from the policy.
7. Staff is directed to work with the underwriter and all related counsel to assure that the proper disclosure is provided in any offering document.

AB RESOLUTION NO. HH-25

**RESOLUTION REGARDING
DERIVATIVES**

WHEREAS staff will establish a collective industry working group to study the issue of derivatives and which will make recommendations to the Authority on how they should be considered in Authority documents and covenants, and

WHEREAS the Authority would like to have some requirements in place regarding derivatives until the collective industry working group can be established and formulate such recommendations,

NOW, THEREFORE, BE IT RESOLVED, that the Authority's interim derivative policy shall include the following, as recommended by staff:

- The following reporting requirements, to be fulfilled on a quarterly basis, will be included in loan agreements entered into during the interim period:
 1. Identification of all derivative agreements outstanding and the "mark-to-market" value as of the last day of the reporting period.
 2. A description of any derivative products entered into since the prior report, including the counterparty and the borrower's consultant.
 3. Identification of any changes in the borrower's "derivative policy" since the last report.
- In addition, borrowers must disclose existing derivatives and a derivative policy in the borrower section and the "Bondholder Risk" section of the official statement.

BE IT FURTHER RESOLVED, that these requirements may be amended by the Authority after receiving the recommendations of the collective industry working group.

AB RESOLUTION NO. HH-26

**RESOLUTION ADJUSTING AUTHORITY
REQUIREMENTS FOR CAPTIVE AND SELF INSURANCE
ENTITIES**

WHEREAS, the Authority has deemed its current requirements for captive and self-insurance entities to be in need of review, and

WHEREAS, a consistent and effective policy that satisfies the Authority's desires regarding the appropriate evaluation of the financial soundness of a borrowers' captive and self insurance entities will require outside involvement, and

WHEREAS, the Authority will obtain that involvement through the creation of an ad hoc committee to determine the best way to evaluate the financial soundness of a borrowers' self insurance and captive entities, and

WHEREAS, the ad hoc committee could take as long as six months to reach a recommendation, and

WHEREAS, the Authority's current policy places an unfair burden on the borrower that is disproportionate to the value added,

NOW, THEREFORE, BE IT RESOLVED, that, for six months or until the ad hoc committee has delivered its recommendation, whichever comes first, the requirement for an A.M. Best rating will be waived and all new issues will include disclosure language that either incorporates:

1. *"be procured and maintained, to the extent reasonably obtainable, the following insurance on such terms and in such amounts, subject to the requirements of this Section 6.08, as are customarily insured against by Institutions of like size similarly situated,"* or
2. *"Such coverages shall be obtained and maintained through commercial insurance carriers or captive insurance companies acceptable to the Insurance Consultant or through self-insurance plans which are approved as to adequacy by the Insurance Consultant at the time of their implementation and thereafter reviewed as to adequacy and reported on by the Insurance Consultant at the times and for the purposes described above; provided, however, that, for so long as any Bonds secured by Obligations are outstanding, insurance with respect to plant, property and equipment shall not be provided through a self-insurance plan. Notwithstanding the foregoing, each Obligated Issuer shall obtain and maintain or cause to be obtained and maintained such insurance coverages as may be required under the applicable provisions of any Related Financing Documents."*

BE IT FURTHER RESOLVED, that, the Authority must still approve new self insurance and captive programs, though, such approval no longer requires a rating.

See AB Resolution No. HH-27

Certain Monitoring Rights.

For purposes of this Section ____, a “Triggering Event” shall mean (i) the failure of the Borrower to maintain any of the ratios required under Section ___ hereof for two or more consecutive quarterly testing periods (it being understood that failure by the Borrower to provide a certificate evidencing satisfaction of the Required Ratios for any quarterly testing date within the time required by Section ____ hereof shall be conclusively deemed for purposes of this Section ____ to constitute a failure to satisfy the Required Ratios as of such quarterly testing date), and (ii) the failure of the Borrower to maintain at least sixty (60) Days Cash on Hand as of the last day of the second quarterly reporting period identified above (it being understood that failure by the Borrower to provide a certificate evidencing satisfaction of the Days Cash on Hand requirement shall be conclusively deemed for purposes of this Section ____ to constitute a failure to satisfy the Days Cash on Hand requirement as of such required date).

Upon the occurrence of a Triggering Event, then, in addition to any other remedies and rights available hereunder or under any other document as a result thereof, the Borrower and shall (i) permit up to two (2) representatives designated in writing from time to time by an Authorized Officer of the Authority (the “Representatives”) to attend all portions (other than (1) portions exclusively devoted to Privileged Matters, as such term is hereinafter defined, and (2) portions exclusively devoted to Excluded Matters, as such term is hereinafter defined) of every meeting of the Board and of each and every committee thereof, (ii) provide to the Authority and each of the Representatives at least forty-eight (48) hours’ advance notice of each such meeting and of any action taken or purported to be taken by members of the Board (or any committee thereof) in lieu of a meeting, and (iii) provide to the Authority and each of the Representatives copies of all information and reports (other than (1) information and reports dealing exclusively with Privileged Matters and (2) information and reports dealing exclusively with Excluded Matters) distributed to, or otherwise made available to, voting members of the Board (or any committee thereof). For purposes of this paragraph (c), the term “Privileged Matters” shall mean only those communications between members of the Board and an attorney (with no other persons present) given solely for the purpose of obtaining legal advice relating to actual or threatened litigation against, or otherwise affecting, the Borrower such that said communication is entitled to attorney-client privilege; provided, that in no event shall Privileged Matters include matters relating to general operations, business strategy, financial condition or scope of services. For purposes of this paragraph (c), the term “Excluded Matters” shall mean only those matters consisting exclusively of physician disciplinary issues and physician ethical issues. In the event the Representatives are not permitted to attend any portion of a meeting or are not provided with any information or reports on the grounds that same involves Privileged Matters, the Borrower shall, (x) within forty-eight hours following the holding of such meeting or the withholding of such information or reports, as applicable, provide to the Authority and each of the Representatives a written statement asserting such grounds and describing, in reasonable detail but without disclosing matters subject to the attorney-client privilege, the nature thereof, and (y) within thirty (30) days following the termination or abandonment of any related litigation, a full report as to such meeting and/or full copies of any previously-withheld information or reports. In the event the Representatives are not permitted to attend any portion of a meeting or are not provided with information or reports on the grounds that the same involves Excluded Matters, the Borrower shall, within forty-eight hours following the holding of the meeting or the

withholding of such information or reports, as applicable, provide to the Authority and each of the Representatives a written statement asserting such grounds. The rights of the Authority described in this paragraph (c) are collectively referred to as the "Monitoring Rights".

The Monitoring Rights shall arise upon the occurrence of any Triggering Event. Once having arisen, the Monitoring Rights shall thereafter remain continuously in effect until the earlier to occur of (x) the passage of twelve consecutive months during which there has continuously existed (A) no Event of Default and no "Event of Default" under the Master Indenture, (B) maintenance of a Debt Service Coverage Ratio of at least 1.10 (as evidenced by the delivery by the Borrower of four consecutive quarterly compliance certificates, each within the times required by Section ___ hereof), and (C) maintenance of at least sixty (60) Days Cash on Hand (as evidenced by the delivery by the Borrower of four consecutive quarterly compliance certificates, each within the times required by Section ___ hereof), or (y) such time as no Bonds remain Outstanding under the Resolution.

The provisions of this Section ___ shall be in addition to all other requirements of this Loan Agreement and of the Master Indenture. Failure to comply with any of the provisions of this Section ___ shall constitute an Event of Default under this Loan Agreement, and compliance by the Borrower with the recommendations contained in any Consultant's Report shall not absolve noncompliance with any other provisions of this Loan Agreement and of the Master Indenture. In addition to any other remedies provided under this Loan Agreement, the Master Indenture or otherwise, (i) the provisions of this Section ___ may be enforced by the Authority in an action for specific performance against the Borrower, and (ii) if the Borrower shall fail to comply with the requirements of this Section ___, the Authority shall be entitled to notify members of the Board of the Borrower of such noncompliance (at the addresses specified in the list(s) provided pursuant to Section ___ and/or paragraph () of this Section ___, as the case may be). The rights and remedies provided for under this Section ___ shall not be assigned by the Authority to the Trustee, and may be enforced only by the Authority (and not by the Trustee or any holder of the Bonds). Unless otherwise directed by resolution of the Authority, any Authorized Officer of the Authority may, in his sole discretion, upon request from the Borrower, waive from time to time any of the rights and remedies provided in this Section ___, but any such waiver shall be in writing, shall be limited to the facts and circumstances so stated, and shall be without prejudice to any other rights and remedies the Authority may have (or may subsequently have) under this Section ___ or otherwise.

AB RESOLUTION NO. HH-28

**RESOLUTION MODIFYING THE
AUTHORITY'S FEE STRUCTURE**

NOW, THEREFORE, BE IT RESOLVED, that, the Authority hereby approves the following changes to the Authority's fee structure, as discussed at the Authority's 2007 Board Retreat:

- The Authority will reinstate an initial fee of 2.5 basis points on the par amount of the bonds up to a maximum size (currently \$82,000,000), which shall be adjusted annually by the average of the New York and Philadelphia Consumer Price Index for the previous year. There will also be a one-time \$10,000 fee per series of bonds that are issued at the same time. If the bonds are entirely refunding bonds, the one-time per series fee would be \$5,000. If there are multiple series of bonds that are issued under different official statements, they would be treated as totally separate issues for billing purposes;
- The Authority will charge an annual fee of 10 basis points on the declining outstanding balance as of year end, to be billed on the following June 30th and December 31st with a minimum annual fee of \$2,500 per series. Existing borrowings would be held harmless from any fee increases that would be caused by this change;
- The one-time fee for each series of bonds would apply, but the par amount for all series of bonds issued at the same time would be aggregated for the purpose of the annual fee computation.
- The Authority will charge an annual fee of 7.5 basis points for Equipment Revenue Notes on the declining outstanding balance as of year end to be billed on the following June 30th and December 31st billings with a minimum annual fee of \$2,500,
- The initial fee for Capital Asset Program loans would remain at \$500.

BE IT FURTHER RESOLVED, that the new fee structure will commence with the Authority's December 31, 2007 billing cycle.

AB RESOLUTION NO. HH-32

**RESOLUTION ON EXECUTIVE
ORDER No. 26 COMPLIANCE**

WHEREAS, the Authority complies with Executive Order No. 26 (Whitman, 1994) through an open enrollment for its Qualified Bankers List allowing firms to submit Statements of Qualifications seeking inclusion on the list at any time, and

WHEREAS, firms currently on the Authority's Qualified Bankers List may also apply to change their status at any time,

NOW, THEREFORE, BE IT RESOLVED, that, firms currently listed on the Qualified Bankers List will not need to reapply unless there is a change in their status,

BE IT FURTHER RESOLVED, that, the Authority will continue to advertise Requests for Statements of Qualifications every two years to remind existing firms and inform new firms of the contract opportunities.