

*Interest received by a holder of the Series 2008 Bond will not be excludable from gross income for federal income tax purposes. Under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of Series 2008 Bond, interest on the Series 2008 Bond and any gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein for a description of certain other provisions of the Code that may affect the federal tax treatment of interest on the Series 2008 Bond.*

## HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

### \$9,720,000 City of Hoboken Guaranteed Hospital Revenue Bond, Series 2008 (Federally Taxable)

**Dated:** Date of Closing  
**Due:** May 1, 2009

**Interest Rate:** 8.00%  
**Price:** 99.00%

The \$9,720,000 City of Hoboken Guaranteed Hospital Revenue Bond, Series 2008 (Federally Taxable) (the "Series 2008 Bond") of the Hoboken Municipal Hospital Authority (the "Authority") shall be issued in the form of one certificate for the aggregate principal amount of the Series 2008 Bond and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as Securities Depository. The certificate will be on deposit with DTC or with its representative on behalf of DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants or transfers of the interests among participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Series 2008 Bond on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000 or any amount in excess thereof, through book-entries made on the books and the records of DTC and its participants. Individual purchasers of the Series 2008 Bond will not receive certificates representing their beneficial ownership interests in the Series 2008 Bond, but each book-entry owner will receive a credit balance on the books of its nominee. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2008 Bond shall bear interest from the dated date of delivery on the basis of a 360-day year consisting of twelve 30-day months on May 1, 2009 at the rate set forth above. The Series 2008 Bond is not subject to optional redemption. The Series 2008 Bond is subject to extraordinary redemption prior to its stated maturity as fully described herein. See "DESCRIPTION OF THE SERIES 2008 BOND" herein.

The Series 2008 Bond will be issued pursuant to: (i) the Municipal Hospital Authority Law, constituting Chapter 46 of the Pamphlet Laws of 2006, N.J.S.A. 30:9-23.15 et seq. of the State of New Jersey, as amended and supplemented (the "Act"); (ii) a bond resolution of the Authority adopted April 30, 2008; (iii) and an Indenture of Trust by and between the Authority and TD Bank, National Association (formerly Commerce Bank, National Association), as Trustee (the "Trustee") dated as of February 1, 2007 (the "Original Indenture"), as amended and supplemented, in particular by a Fourth Supplemental Indenture dated as of October 1, 2008 by and between the Authority and the Trustee (the "Fourth Supplemental Indenture" and together with the Original Indenture and all other amendments and supplements, the "Indenture") and (iv) all other applicable law.

The Series 2008 Bond is being issued, along with other monies of the Authority, to (i) refund \$2,850,000 of the \$8,870,000 Outstanding principal amount of the Authority's \$11,170,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable) (the "Series 2007B Bonds"), (ii) finance working capital and reserves for the operation of the Hospital and (iii) pay costs of issuing the Series 2008 Bond (the "Series 2008 Project"). See "PURPOSE OF THE SERIES 2008 BOND" herein.

The Series 2008 Bond is a special, limited obligation of the Authority, payable by the Authority solely from the Trust Estate (as defined in the Indenture). The Series 2008 Bond is further secured by a guaranty of the City authorized by ordinance finally adopted on January 3, 2007 (the "Guaranty Ordinance") providing for the unconditional guaranty (the "City Guaranty") by the City of the payment when due of the principal of and interest on the Series 2008 Bond, and to implement said Guaranty Ordinance the City, the Authority and the Trustee will enter into a Guaranty Agreement dated as of October 1, 2008 relating to the Series 2008 Bond (the "Guaranty Agreement"). **TO THE EXTENT THE CITY GUARANTY IS CALLED UPON AND MUST BE FUNDED BY A DEBT ISSUANCE OF THE CITY, THE ISSUANCE OF SUCH DEBT WILL REQUIRE THE FUTURE APPROVAL OF THE DIRECTOR OF THE DIVISION OF LOCAL GOVERNMENT SERVICES PURSUANT TO THE LOCAL GOVERNMENT SUPERVISION ACT, AS SET FORTH IN THE LFB RESOLUTION ATTACHED HERETO AS APPENDIX J.**

The City Guaranty is a valid and legally binding obligation of the City and, unless the principal and interest on the Series 2008 Bond is paid from other sources, the City shall make payment from ad valorem taxes levied upon all the taxable property within the jurisdiction of the City without limitation as to rate or amount for the payment of its obligations under the City Guaranty. See "SECURITY FOR THE SERIES 2008 BOND", "LITIGATION - Certain Litigation-The City", APPENDIX I, and APPENDIX J herein.

NEITHER THE STATE OF NEW JERSEY, THE COUNTY, THE CITY (EXCEPT TO THE EXTENT OF THE CITY GUARANTY) OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY, THE COUNTY, THE CITY (EXCEPT TO THE EXTENT OF THE GUARANTY) OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2008 BOND. THE SERIES 2008 BOND IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE RESOLUTION AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE RESOLUTION FOR THE PAYMENT OF THE SERIES 2008 BOND. THE SERIES 2008 BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

The Series 2008 Bond is offered when, as and if issued and delivered to the Underwriter, subject to an approving legal opinion of GluckWalrath LLP, Trenton, New Jersey, Bond Counsel and General Counsel to the Authority. Certain matters will be passed upon for the City by Steven W. Kleinman, Esq., Corporation Counsel to the City and for the Underwriter by DeCotiis, FitzPatrick, Cole & Wisler, LLP, Teaneck and Trenton, New Jersey. It is expected that the Series 2008 Bond will be available in definitive form for delivery to DTC in New York, New York, or such other place as agreed to by the Authority, on or about November 3, 2008.





No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2008 Bond by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information which is set forth herein has been provided by the Authority, DTC (with respect to information set forth herein under the caption "DESCRIPTION OF THE SERIES 2008 BOND - Book-Entry Only System"), the City and other sources which are believed to be reliable by the Authority and the Underwriter, but such information provided by DTC, the City and such other sources is not guaranteed as to accuracy or completeness by the Authority, and is not intended to be and is not to be construed as such by the Authority. The Trustee and its counsel have not participated in the preparation of this Official Statement, and as such, the Trustee disclaims any responsibility for the accuracy or completeness of the information set forth in this Official Statement.

Certain demographic and financial information concerning the City is set forth in this Official Statement. Neither the Authority nor the Underwriter has confirmed the accuracy or completeness of the information relating to the City, and the Authority disclaims any responsibility for the accuracy or completeness thereof.

Where the Constitution or statutes of the State are referred to herein, reference should be made to such Constitution or statutes for a complete statement of the matters referred to. Any statements which are contained in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Series 2008 Bond.

The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof or any earlier date as of which such information is given. This Official Statement is submitted in connection with the sale of the Series 2008 Bond referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Upon issuance, the Series 2008 Bond will not be registered under the Securities Act of 1933, as amended. The Series 2008 Bond will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, other than the Authority, will have passed upon the accuracy or adequacy of this Official Statement at the time the Series 2008 Bond is issued.

This Official Statement includes the cover page hereof and the appendices attached hereto. The Underwriter has been authorized by the Authority to imprint the Series 2008 Bond offering prices and their names on the cover page, together with the interest rate per annum for the Series 2008 Bond.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008 BOND AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS THEY APPLY TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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# **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**

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Camille Corea, Member  
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Harvey A. Holzberg, Member, Ex-Officio  
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## **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**

### **\$9,720,000 City of Hoboken Guaranteed Hospital Revenue Bond, Series 2008 (Federally Taxable)**

#### **INTRODUCTION**

The purpose of this Official Statement (which includes the cover page and Appendices) is to set forth information concerning the Hoboken Municipal Hospital Authority (the “Authority”), a public body corporate and politic and a political subdivision of the State of New Jersey (the “State”) created pursuant to an ordinance of the Municipal Council of the City of Hoboken (the “City” or “Hoboken”) established pursuant to the Municipal Hospital Authority Law, constituting chapter 46 of the Pamphlet Laws of 2006, N.J.S.A. 30:9-23.15 *et seq.* of the State of New Jersey, as amended and supplemented (the “Act”), the City and the offering of the Authority’s \$9,720,000 aggregate principal amount of City of Hoboken Guaranteed Hospital Revenue Bond, Series 2008 (Federally Taxable) (the “Series 2008 Bond”) to be issued pursuant to the Act, a bond resolution of the Authority, entitled “RESOLUTION OF THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY AUTHORIZING THE ISSUANCE OF BONDS, NOTES OR OTHER OBLIGATIONS OF THE AUTHORITY TO REFUND BONDS OF THE AUTHORITY AND FINANCE CERTAIN COSTS IN CONNECTION WITH THE OPERATION OF HOBOKEN UNIVERSITY MEDICAL CENTER AND FURTHER AUTHORIZING THE EXECUTION OF A SUPPLEMENTAL INDENTURE TO SECURE SAME” adopted on April 30, 2008 (the “Bond Resolution”), and an Indenture of Trust by and between the Authority and the Trustee (as defined below) dated as of February 1, 2007 (the “Original Indenture”), as amended and supplemented by a First Supplemental Indenture dated as of February 1, 2007 by and between the Authority and the Trustee (the “First Supplemental Indenture”), as further amended and supplemented by a Second Supplemental Indenture dated as of August 1, 2007 by and between the Authority and the Trustee (the “Second Supplemental Indenture”), as further amended and supplemented by a Third Supplemental Indenture dated as of March 1, 2008 by and between the Authority and the Trustee (the “Third Supplemental Indenture”), as further amended and supplemented by a Fourth Supplemental Indenture dated as of November 1, 2008 by and between the Authority and the Trustee (the “Fourth Supplemental Indenture” and together with the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, the “Indenture”).

The Authority's Fiscal Year 2008 operating budget of \$135,679,739 anticipated \$28.2 million of projected operating grants and subsidies (the "State Support") from the State of New Jersey (the "State"). However, due to the severe financial condition of the State during its fiscal year ended June 30, 2008, the State was only able to provide the Authority with \$9.1 million of State Support prior to June 30, 2008. As a result, the Authority has expended the full amount of working capital and working capital reserves financed by the Series 2007 Bonds (described below) to offset this reduction in State Support, resulting in the projection of an insufficiency of current revenues to meet ongoing monthly operating expenses. The restructuring of the Authority's debt and receipt of proceeds from the sale of the 2008 Bond will provide the Authority with available working capital for the operations of the Hospital. THERE CAN BE NO ASSURANCE THAT THE REVENUES OF THE AUTHORITY OR UTILIZATION OF ITS FACILITIES WILL BE SUFFICIENT TO ENABLE THE AUTHORITY TO MAKE PAYMENTS ON THE SERIES 2008 BOND AND THE HOSPITAL'S OPERATING EXPENSES.

The Series 2008 Bond is being issued, and will be used along with other monies of the Authority, to (i) refund \$2,850,000 (the "Prior Bonds to be Refunded") of the \$8,870,000 Outstanding principal amount of the Authority's \$11,170,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable) (the "Series 2007 B Bonds"), (ii) finance working capital and reserves for the operation of the Hospital and (iii) costs of issuing the Series 2008 Bond (the "Series 2008 Project"). Simultaneously with the issuance of the Series 2007 B Bonds, the Authority issued its \$40,465,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A (Federally Taxable) Convertible to Tax Exempt) (the "Series 2007A Bonds" and together with the Series 2007B Bonds, the "2007 Bonds") which converted to tax-exempt status (the "Conversion") on January 1, 2008 (the "Conversion Date").

The Series 2007A Bonds were issued for the purpose of providing funds for: (A) the acquisition of various capital improvements and fixed and major moveable equipment for hospital facilities known as St. Mary Hospital and being acquired by the Authority and to be known as Hoboken University Medical Center, located at 308 Willow Avenue, Hoboken, New Jersey (the "Hospital"), (B) the acquisition by the Authority of various parcels of land and buildings, (C) the construction of leasehold improvements to the ground floor of the garage facility owned by the City of Hoboken located at 4<sup>th</sup> Street and Willow Avenue, Hoboken, New Jersey, to be used by the Authority for hospital office facilities, (D) capitalized interest on the Series 2007A Bonds for a period of two years, (E) the funding of a deposit to a debt service reserve fund for the Series 2007A Bonds, and (F) the payment of costs of issuing the Series 2007A Bonds (the "Series 2007A Project").

The Series 2007B Bonds were issued for the purpose of (i) providing capitalized interest on the Series 2007B Bonds for a period of two years, (ii) providing certain initial start-up working capital and reserves for operation of the Hospital, and (iii) paying costs of issuing the Series 2007B Bonds (the "Series 2007B Project" and, collectively with the Series 2007A Project, the "2007 Project").

In accordance with the Act and the Local Authorities Fiscal Control Law, constituting Chapter 313 of the Laws of 1983 of the State, as amended and supplemented ("Local Authorities Fiscal Control Law"), the Local Finance Board in the Division of Local Government Services of the New Jersey Department of Community Affairs (the "Local Finance Board") has reviewed the project financing, the issuance of the Series 2008 Bond, the City Guaranty (as defined in "SECURITY FOR THE SERIES 2008 BOND – City Guaranty" herein) and, by a resolution

adopted June 11, 2008, made favorable findings with respect to the project financing and the issuance of the Series 2008 Bond by the Authority. Pursuant to the requirements of N.J.S.A. 40A:5A-1 *et seq.*, the members of the Authority shall review and acknowledge the findings of the Local Finance Board. Pursuant to the Act, the Local Finance Board also approved the issuance of the Series 2008 Bond by the resolution adopted by the Local Finance Board on June 11, 2008 and the execution of the Master Manager and Operator Agreement (as defined in “THE MASTER MANAGER AND OPERATOR AGREEMENT” herein) by the resolution adopted by the Local Finance Board on December 21, 2006.

TD Bank, National Association (successor to Commerce Bank, National Association), Cherry Hill, New Jersey, has been appointed to serve as trustee (“Trustee”), paying agent (“Paying Agent”) and registrar (“Registrar”) with respect to the Series 2008 Bond.

There follows in this Official Statement brief descriptions of the Series 2008 Bond, the Bond Resolution, the Indenture, the City Guaranty and the Master Manager and Operator Agreement. Such descriptions are qualified in their entirety by reference to the definitive forms of such documents. This Official Statement also contains information or descriptions of the Authority, the City, the Hospital, the Series 2008 Project and the Plan of Finance (as hereinafter described). Capitalized words and terms which are used in this Official Statement and which are not otherwise defined herein have the meanings set forth in the Indenture. See “APPENDIX E - FORM OF INDENTURE OF TRUST AND FOURTH SUPPLEMENTAL INDENTURE.” The summaries of and references to all documents, statutes, reports and other instruments which are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

### **PURPOSE OF THE SERIES 2008 BOND**

The Series 2008 Bond is being issued, and will be used along with other monies of the Authority, to (i) refund the Prior Bonds to be Refunded, (ii) finance working capital and reserves for the operation of the Hospital and (iii) finance the costs of issuing the Series 2008 Bond. The Authority anticipates issuing long term bonds to refund the Series 2008 Bond, prior to the maturity thereof.

As part of the restructuring of the Authority’s debt, \$4,205,000 of the Series 2007A Bonds will be defeased (the “Defeased 2007A Bonds”) with monies released from the Project Fund, and called for redemption on July 1, 2017, the first optional redemption date. As a result of such defeasance such Defeased 2007 A Bonds and Prior Bonds to be Refunded shall no longer be Outstanding under the 2007 Indenture and shall no longer benefit from the City Guaranty (discussed herein).

Pursuant to an Escrow Deposit Agreement (the “Escrow Deposit Agreement”), dated the date of issuance of the Series 2008 Bond, between the Authority and TD Bank, National Association, Cherry Hill New Jersey (the “Escrow Agent”), the Authority will establish an escrow fund (the “Escrow Fund”) and irrevocably deposit into two separate accounts therein, cash and direct non-callable obligations of, or obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America (“Government Obligations”) with the Escrow Agent, which Government Obligations will bear interest at such rates and will mature at such times and in such amounts so that, when paid in accordance with their terms, sufficient moneys will be available to make full and timely payments of the principal of or

redemption price of and interest on the Defeased 2007A Bonds and the Prior Bonds to be Refunded.

The mathematical calculations of adequacy of the deposit to provide for payment of the Defeased 2007A Bonds and the Prior Bonds to be Refunded will be verified by McEnerney, Brady & Company, LLC, Livingston, New Jersey, at the time of delivery of the Series 2008 Bond. All moneys and Government Obligations deposited for the payment of the Defeased 2007A Bonds and the Prior Bonds to be Refunded, including interest thereon, are pledged solely and irrevocably for the benefit of the holders of the Defeased 2007A Bonds and the Prior Bonds to be Refunded.

## **DESCRIPTION OF THE SERIES 2008 BOND**

### **Terms of the Series 2008 Bond**

The Series 2008 Bond will be dated the date of delivery thereof, and will mature on the date and in the amount set forth on the cover page hereof. The Series 2008 Bond will bear interest payable on May 1, 2009 at the rate set forth on the cover page hereof. Principal of and interest on the Series 2008 Bond will be payable at the office of the Trustee.

### **Denomination and Place of Payment**

The Series 2008 Bond will be issued as fully registered book-entry bonds, and registered in the name of and held by Cede & Co. ("Cede"), as nominee for DTC, which will act as securities depository for the Series 2008 Bond under its book-entry-only system. An individual purchaser may purchase a Series 2008 Bond in book-entry form (without certificates) in denominations of \$5,000, or any integral multiple thereof. Provided DTC, or its nominee Cede, is the Registered Owner of the Series 2008 Bond, the principal of and interest on the Series 2008 Bond will be paid to DTC or Cede, as its nominee. See "Book-Entry-Only System" below.

### **Extraordinary Redemption**

Subject to the provisions of Section 610 of the Indenture, the Series 2008 Bond is subject to extraordinary redemption prior to maturity in whole or in part at any time, in such order of maturity as selected by the Authority, at a Redemption Price equal to one hundred percent (100%) of the principal amount to be redeemed together with interest accrued to the redemption date, from and to the extent of the property or title insurance proceeds, condemnation awards or proceeds of any conveyance in lieu of condemnation which are directed to be deposited in the Redemption Fund established pursuant to the Indenture and applied to such redemption pursuant to the Indenture in the event that the Hospital, or any part thereof, shall have been damaged, destroyed or condemned (or sold under the threat of condemnation) or subject to a title defect, all as more fully described in the Indenture.

## **Notice of Redemption**

When the Trustee shall receive notice from the Authority of its election or direction to redeem Series 2008 Bond, and when redemption of Series 2008 Bond is authorized or required, the Trustee shall give notice, in the name of the Authority, of the redemption of such Series 2008 Bond, which notice shall specify the Series and maturities of the Series 2008 Bond to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2008 Bond of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2008 Bond so to be redeemed, and, in the case of Series 2008 Bond to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2008 Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Series 2008 Bond to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, postage prepaid, not less than twenty-five (25) days (or such other period as may be specified in the Fourth Supplemental Indenture or Series Resolution authorizing the Series 2008 Bond to be redeemed) prior to the redemption date, to the registered owners of any Series 2008 Bond or portions of Series 2008 Bond which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Such notices shall also be given by publication in any Authorized Newspaper not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. Failure of the registered owner of any Series 2008 Bond which are to be redeemed to receive any notice, or failure of the Authority to publish notices of redemption as provided in the immediately preceding sentence, shall not affect the validity of the proceedings for the redemption of the Series 2008 Bond.

So long as DTC or its nominee is the Registered Owner of the Series 2008 Bond, notices of redemption shall be sent to DTC and not to any Beneficial Owners of the Series 2008 Bond.

The Trustee shall also comply with the requirements of DTC to effectuate redemption of the Series 2008 Bond. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice.

### **Book-Entry Only System<sup>1</sup>**

DTC will act as securities depository for the Series 2008 Bond. The Series 2008 Bond will be issued as a fully-registered bond registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued in the aggregate principal amount of each series and maturity of the Series 2008 Bond, in the aggregate principal amount of each such issue and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds

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<sup>1</sup> Source: The Depository Trust Company.

and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2008 Bond under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bond on DTC's records. The ownership interest of each actual purchaser of each Series 2008 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008 Bond is to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2008 Bond, except in the event that use of the book-entry system for the Series 2008 Bond is discontinued.

To facilitate subsequent transfers, all Series 2008 Bond deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2008 Bond with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008 Bond; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 Bond is credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2008 Bond may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008 Bond, such as redemptions, tenders, defaults, and proposed amendments to the Series 2008 Bond documents. For example, Beneficial Owners of Series 2008 Bond may wish to ascertain that the nominee holding the Series 2008 Bond for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative,

Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2008 Bond unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2008 Bond is credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2008 Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2008 Bond held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2008 Bond at any time by giving reasonable notice to the Authority or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2008 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2008 Bond certificates will be printed and delivered in accordance with the provisions of the Indenture. See "Discontinuance of Book-Entry Only System" below.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Neither the Authority nor the Trustee will have any responsibility or obligations to such DTC Participants or the persons for whom they act as nominees with respect to the payments to or providing of notice for the DTC Participants, or the Indirect Participants, or the Beneficial Owners.

So long as Cede & Co. is the registered owner of the Series 2008 Bond, as nominee of DTC, references herein to the Bondholders or registered owners of the Series 2008 Bond shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2008 Bond.

## **Discontinuance of Book-Entry Only System**

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Series 2008 Bond, the following provisions would apply: (i) the Series 2008 Bond may be exchanged for an equal aggregate principal amount of Series 2008 Bond in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee, (ii) the transfer of any Series 2008 Bond may be registered on the books maintained by the Trustee for such purpose only upon the surrender thereof to the Trustee together with the duly executed assignment in form satisfactory to the Authority and the Trustee, and (iii) for every exchange or registration of transfer of Series 2008 Bond, the Trustee may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Series 2008 Bond. Interest on the Series 2008 Bond will be payable by check or draft mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the fifteenth (15th) day whether or not a Business Day, of the calendar month next preceding an Interest Payment Date.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR OTHER PERSON WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY REDEMPTION OR OTHER NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OF THE SERIES 2008 BOND; OR (4) ANY OTHER ACTION TAKEN BY DTC OR CEDE AS REGISTERED OWNER OF THE SERIES 2008 BOND. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC DIRECT PARTICIPANTS ARE ON FILE WITH DTC.

## **SECURITY FOR THE SERIES 2008 BOND**

### **General**

The Series 2008 Bond is a direct and special obligation of the Authority, payable from the Revenues (as hereinafter defined) and the other moneys, securities, rights and proceeds constituting the Trust Estate (as defined in the Indenture) Under the Indenture, the Authority has pledged the Trust Estate as security for the payment of the principal or Redemption Price of and interest on the Series 2008 Bond, the Series 2007 Bonds and any Additional Bonds which may hereafter be issued by the Authority (collectively, the "Bonds"), as well as security for the payment of any Financing Facility Payment Obligations (as such term is defined in the Indenture); provided, however, that (i) each Series of Bonds shall be entitled to the benefit of amounts on deposit in its respective account, if any, within the Debt Service Reserve Fund, and no other Bond shall be entitled thereto, (ii) each Series of Bonds with respect to which the Authority has obtained a Financing Facility (as such term is defined in the Indenture) shall be entitled to the benefit of the applicable Financing Facility and Financing Facility Revenues (as such term is defined in the Indenture) and not other Bond shall be entitled thereto, (iii) any



moneys which are required to be paid to the Trustee by the City pursuant to the terms of the City Guaranty applicable to any Series of Bonds are pledged solely to secure the payment of the principal of and interest on the Bonds of such series and are not available for any other purpose under the Indenture, and (iv) any moneys which are made available under the terms of any Credit Facility or Liquidity Facility (as such terms are defined in the Indenture) are pledged solely to secure the payment of the principal of and interest on the Bonds so secured and are not available for any other purpose under the Indenture. Such pledge is also, in accordance with the provisions of the Indenture, subject to the provisions of the Indenture providing for the periodic application of amounts in the Revenue Fund to various purposes, including payment of operating expenses of the Hospital. See "SECURITY FOR THE SERIES 2008 BOND – Periodic Withdrawals from Revenue Fund" and "APPENDIX E – FORM OF INDENTURE OF TRUST AND FOURTH SUPPLEMENTAL INDENTURE".

The term "Revenues" as defined in the Indenture includes (a) all revenues, fees, charges, rents, rates, receipts and other charges and other income derived or to be derived by the Authority from or for the ownership, operation, use or services of the Hospital, including all Government Grants, including, without limitation, contributions, donations and pledges whether in the form of cash, securities or other personal property, and all rights to receive the same, whether in the form of accounts receivable, contract rights, chattel paper instruments or other rights, and the proceeds thereof, (b) any income derived from the investment of funds (other than the Rebate Fund) which are held pursuant to the Indenture (subject to the provisions governing the application of such investment income), and (c) the proceeds of any insurance coverages on and condemnation awards in respect of any assets of the Authority and allocable to losses of operating revenues, income or receipts of the types hereinbefore in this definition mentioned or referred to (including, without limitation, the proceeds of any business interruption or use and occupancy insurance and any portions of any net condemnation awards made in respect of lost revenues or disruptions in the receipt thereof); provided, however, that "Revenues" shall not include (i) any Private Grants with respect to the construction or acquisition of the Project, unless specified and identified for operational costs, (ii) gifts, grants, bequests, donations and contributions theretofore or hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes, and the income therefrom, to the extent required by such designation or (iii) amounts received by the Authority from or for the ownership, operation, use or services of the Hospital in respect of any period prior to the date of issuance of the Series 2008 Bond, unless otherwise provided by Supplemental Indenture.

THE PAYMENT OF THE PRINCIPAL OF (INCLUDING SINKING FUND INSTALLMENTS, IF ANY) AND INTEREST ON (BUT EXCLUDING REDEMPTION PREMIUM, IF ANY) WITH RESPECT TO THE SERIES 2008 BOND WILL BE FULLY, UNCONDITIONALLY AND IRREVOCABLY SECURED BY THE HEREINAFTER DEFINED CITY GUARANTY. THE SERIES 2008 BOND IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE RESOLUTION AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE RESOLUTION FOR PAYMENT OF THE SERIES 2008 BOND. THE AUTHORITY HAS NO POWER TO LEVY OR COLLECT TAXES. THE SERIES 2008 BOND IS NOT AND SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE STATE, THE CITY (EXCEPT TO THE EXTENT OF THE CITY GUARANTY) OR ANY OTHER COUNTY OR MUNICIPALITY, OTHER THAN THE AUTHORITY, AND DO NOT AND SHALL NOT CREATE OR CONSTITUTE AN INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE STATE, THE CITY (EXCEPT TO THE EXTENT OF THE CITY GUARANTY) OR OF ANY

OTHER COUNTY OR MUNICIPALITY, OTHER THAN THE AUTHORITY, EITHER LEGAL, MORAL OR OTHERWISE.

THE ACT PROVIDES THAT NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSON EXECUTING BONDS OF THE AUTHORITY SHALL BE LIABLE PERSONALLY ON SUCH BONDS BY REASON OF THE ISSUANCE THEREOF.

### **Periodic Withdrawals from Revenue Fund**

Two Business Days prior to the 1<sup>st</sup> Business Day of each month, the Trustee shall make payments out of any moneys which are on deposit in the Revenue Fund into the following several funds but as to each such fund only within the limitation hereinafter indicated with respect thereto and only after maximum payment within such limitation into every such fund previously mentioned in the following tabulation:

- First: Into the respective accounts within the Debt Service Fund *pro rata*, an amount equal to the Debt Service Requirement, taking into account (i) accrued interest and any amounts in each such account within the Debt Service Fund available to pay interest on the respective series of Bonds on the next Interest Payment Date; (ii) the amount of investment earnings credited to such account within the Debt Service Fund by the Trustee during such Accounting Period as set forth by the Trustee's reports pursuant to the Indenture; (iii) capitalized interest available to pay interest on the next Interest Payment Date; (iv) any other credit available pursuant to the Indenture, but only to the extent such credit is posted by the 1<sup>st</sup> day of such Accounting Period;
- Second: To the Authority for deposit into the Operating Fund, for payment of the Authority's Operating Expenses in accordance with its Annual Budget an amount equal to the Operating Fund Requirement;
- Third: Into the respective accounts within the Debt Service Reserve Fund, *pro rata*, an amount equal to 1/12 of the amount necessary, if any, to increase the amount which is on deposit in each such account within the Debt Service Reserve Fund equal to the respective Debt Service Reserve Requirement taking into account the amount of investment earnings credited to such account within the Debt Service Reserve Fund by the Trustee during such Accounting Period as set forth by the Trustee's reports pursuant to the Indenture (provided, however, that if any such deficiency shall be caused by reason of investment valuation losses rather than withdrawals, such account shall be replenished to its Debt Service Reserve Fund Requirement immediately instead of over twelve months);
- Fourth: To the Authority for deposit into the Operating Reserve Fund, an amount equal to 1/12 of the amount necessary, if any, to increase the amount which is on deposit in the Operating Reserve Fund

such that the funds on deposit in the Operating Reserve Fund is equal to the Operating Reserve Fund Requirement (provided, however, that if any such deficiency shall be caused by reason of investment valuation losses rather than withdrawals, such account shall be replenished to its Operating Reserve Fund Requirement immediately instead of over twelve months) plus such additional amount(s) as the Authority may determine from time to time by resolution may be prudent or advisable;

Fifth: Into the Capital Replacement Fund an amount equal to (x) any lump sum increase to the Capital Replacement Requirement (to the extent provided in the Annual Budget for such Fiscal Year) or (y) otherwise, 1/12 of the annual amount (if any) of the Capital Replacement Requirement as provided in the Annual Budget for such Fiscal Year; and

Six: To the City, to the extent required to reimburse the City for amounts theretofore advanced by the City pursuant to the City Guaranty.

Pursuant to an amendment in the Fourth Supplemental Indenture, principal of and interest on the Series 2008 Bond shall not be considered when calculating the Debt Service Requirement for purposes of Section 504 of the Indenture.

### **Disproportional Share Hospital Funds**

Disproportional Share Hospital (“DSH”) funds are funds set aside by the State to supplement hospitals that serve a disproportionate share of low-income patients. There are two categories of hospitals that receive DSH funds. The first category is a hospital that loses money on its Medicaid and uninsured business, but makes up for the losses with privately insured and Medicare patients. The second category is a hospital that loses money on its Medicaid and uninsured business, but makes up for the losses with some privately insured and Medicare patients, and some DSH funds.

States have flexibility in how they allocate their DSH money. In New Jersey, DSH funds are used primarily to pay for medically uninsured recipients. The current State Medicaid plan permits public hospitals to receive DSH payments in amounts that would be in excess of their non-public counterparts. However, there can be no assurance as to the amount of DSH funds, if any, the State will appropriate for the Hospital.

DSH funds currently are comprised of 50% State money and 50% federal money. When the State pays its share of the funds, it becomes entitled to the federal matching funds. Each facility that receives DSH funds is subject to a cap. The Hospital will reach its “cap” on July 1, 2009 and therefore will no longer receive any DSH funds from that date forward.

### **City Guaranty**

On January 3, 2007, the City adopted an ordinance which authorized the guaranty (the “City Guaranty”) by the City of the payment of the principal of and interest (but not the redemption premium, if any) on not exceeding \$52,000,000 aggregate principal amount Bonds,

including the Series 2008 Bond. To the extent that Revenues or other funds of the Authority are not available to pay the principal of or interest on the Series 2008 Bond, the City Guaranty provides that the City is obligated to provide for such payment. Upon the delivery of the Series 2008 Bond, the Authority will enter into a guaranty agreement with the City and the Trustee evidencing the obligations of the City with respect to the City Guaranty (the "Guaranty Agreement"). **TO THE EXTENT THE CITY GUARANTY IS CALLED UPON AND MUST BE FUNDED BY A DEBT ISSUE OF THE CITY, THE ISSUANCE OF SUCH DEBT WILL REQUIRE THE FUTURE APPROVAL OF THE DIRECTOR OF THE DIVISION OF LOCAL GOVERNMENT SERVICES PURSUANT TO THE LOCAL GOVERNMENT SUPERVISION ACT, AS SET FORTH IN THE LOCAL FINANCE BOARD RESOLUTION ATTACHED HERETO AS APPENDIX J.** See "LITIGATION – Certain Litigation – The City", and "APPENDIX F - CITY GUARANTY ORDINANCE AND FORM OF GUARANTY AGREEMENT."

If, sixty (60) days prior to any date established for the payment of the principal of and/or interest on the Bonds (including the Series 2008 Bond), the Authority gives notice to the City of an anticipated need to draw upon the City Guaranty in order to provide for the full payment of the interest and/or principal which is due and payable on such payment date, the Trustee shall notify the Authority, the Mayor and the City Clerk in writing by certified mail (return receipt requested) of the amounts which are necessary to provide for the payment of the principal of and interest on the Bonds (including the Series 2008 Bond). The City shall be obligated to make payment to the Trustee of the amounts referred to above no later than three (3) Business Days prior to said payment date except to the extent the Debt Service Fund otherwise has sufficient funds on hand on the date or dates required for the payment of such principal and/or interest. In such event, such sum shall be applied by the Trustee for deposit into the Debt Service Fund. Forty-five (45) days prior to said payment date the City must notify the Trustee in writing as to the source of funds to provide for such payment. Notwithstanding any other provision of the Guaranty Agreement, failure by the Trustee to give the City notice as provided therein shall not relieve the City of its obligations to make payment under the terms of the City Guaranty. See, "APPENDIX F – CITY GUARANTY ORDINANCE AND FORM OF GUARANTY AGREEMENT".

The payments which are made by the City under the terms of the City Guaranty will constitute valid, binding, direct and general obligations of the City and are payable out of the first funds becoming legally available for such purpose. In the opinion of Bond Counsel to the Authority, the City has the power, and is obligated to levy *ad valorem* taxes upon all the taxable property within the City for the purpose of raising funds to make such payments under the terms of the City Guaranty as the same become due, without limitation as to rate or amount, if such funds are not otherwise available. The City Guaranty will remain in full force and effect for as long as the Bonds (including the Series 2008 Bond) remain Outstanding.

### **Operating Reserve Fund**

The Authority shall transfer funds on deposit in the Operating Reserve Fund to the Operating Fund at such times and in such amounts as may be required to pay, when due, the amount of any Operating Expenses in excess of the amounts then on deposit in the Operating Fund and available for such payment. Any moneys which are held in the Operating Reserve Fund shall be invested by the Authority in Investment Obligations.

If on any Payment Date amounts held in the Debt Service Fund, the Debt Service Reserve Fund, and the Capital Replacement Fund are insufficient to pay the Debt Service Requirement coming due on such Payment Date, the Authority shall transfer from the Operating Reserve Fund to the respective accounts within the Debt Service Fund, *pro rata*, an amount equal to the lesser of (a) an amount sufficient to eliminate such deficiency, or (b) the excess, if any, of any amounts on deposit in the Operating Reserve Fund over the Operating Reserve Fund Requirement.

### **Capital Replacement Fund**

The Authority shall withdraw amounts from the Capital Replacement Fund and apply the same to the reasonable and necessary expenses of the Authority with respect to the Hospital for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals. Any moneys which are on deposit in the Capital Replacement Fund shall be invested by the Authority in Investment Obligations.

If on any Payment Date amounts held in the Debt Service Fund and the Debt Service Reserve Fund are insufficient to pay the Debt Service Requirement coming due on such Payment Date, the Authority shall transfer from the Capital Replacement Fund to the Trustee for deposit into the respective accounts in the Debt Service Fund, *pro rata*, an amount sufficient to eliminate such deficiency.

If on any date all withdrawals or payments which are required to be made from the Capital Replacement Fund by any other provision of the Indenture shall have been made and the amount on deposit in each account within the Debt Service Reserve Fund equals the applicable Debt Service Reserve Requirement, and the amount in the Capital Replacement Fund exceeds the Capital Reserve Requirement, the Authority shall withdraw the amount of such excess from the Capital Replacement Fund and shall pay the moneys so withdrawn to the Revenue Fund.

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## **ESTIMATED SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and use of funds relative to the issuance of the Series 2008 Bond:

### **SOURCES:**

Proceeds of the Series 2008 Bond	\$9,720,000.00
Less: Original Issue Discount	(97,200.00)
Other available funds	<u>1,252,100.00</u>
<b>TOTAL SOURCES</b>	<b>\$10,874,900.00</b>

### **USES:**

Deposit to Escrow Fund	\$2,986,151.66
Deposit to Operating/Operating Reserve Fund	7,690,148.34
Costs of Issuance *	<u>198,600.00</u>

<b>TOTAL USES:</b>	<b>\$10,874,900.00</b>
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\* Includes fees and expenses of Bond Counsel and the Trustee, Underwriter's discount and other associated issuance costs.

## **THE AUTHORITY**

### **General**

The Hoboken Municipal Hospital Authority (the "Authority") was created pursuant to an ordinance of the Municipal Council of the City duly adopted on August 9, 2006 and pursuant to the Act. The Authority is a body corporate and politic constituting an agency and instrumentality of the City and having the power to do anything necessary or convenient to carry out its purposes and exercise the powers granted in the Act.

Pursuant to the Act, the sole purpose of the Authority is to acquire, manage and operate a "hospital" (as such term is defined in the Act). In furtherance of such purpose, the Authority may borrow money and issue its bonds or notes and secure the same by, among other things, a pledge of its revenues and pay for the costs of any capital improvements or equipment related to the operation, maintenance, expansion, renovation, or rehabilitation of that hospital, for any working capital necessary for the operation of that hospital and for any costs related to the issuance of any bonds or notes therefor. Pursuant to the Act, the City may, among other things, unconditionally guarantee the punctual payment of the principal of and interest on any bonds or notes issued by the Authority. Furthermore, pursuant to the Act, although the Authority must maintain primary responsibility for the operation of the hospital, it must exercise its powers and duties to manage and operate the hospital through a contract with a nonprofit manager retained by the Authority.

The Authority's fiscal year is the twelve (12) month period ending December 31 of any year, or such other twelve (12) month period which the Authority may establish by resolution.

The daily business of the Authority is presently conducted by its Executive Director, George W. Crimmins.

The Authority's mailing address is 308 Willow Avenue, Hoboken, New Jersey 07030.

### **Employees**

The Authority currently has no employees.

### **Management**

The Authority is governed by an 11-member board including the Mayor of the City and the hospital chief executive officer or their designees.

The current members of the Authority Board of Commissioners, their positions and the respective dates of commencement and expiration of their terms are set forth below:

## Members

<b>Name</b>	<b>Position Held</b>	<b>Commencement of Term</b>	<b>Expiration</b>
James F. Caulfield	Chairman	9/20/06	6/30/11
Camille Corea	Member	9/20/06	6/30/10
Alfred O. Fayemi, M.D.	Member	9/20/06	Concurrent with membership on medical staff executive committee
Harvey A. Holzberg	Member	Ex-Officio	Concurrent with term as Chief Executive Officer
Eric Lawton	Member	9/20/06	6/30/09
Kevin Kramer	Member	7/01/07	6/30/12
Michele Richardson	Member	Ex-Officio	Designated by New Jersey Dept. of Community Affairs
Mayor David Roberts	Member	9/20/06	Concurrent with term as Mayor (currently 6/30/09)
Michael Nestor	Secretary/Alternate Member	9/20/06	Concurrent with term of Mayor (currently 6/30/09)
Joseph Kozel, M.D.	Member	12/03/06	Concurrent with membership on medical staff executive committee
Frederick J. Tomkins	Treasurer	9/20/06	6/30/08 (holdover)
E. Norman Wilson	Member	9/20/06	6/30/11

## Authority Indebtedness

Upon issuance of the Series 2008 Bond, the Authority will have \$36,440,000 of the \$40,465,000 original aggregate principal amount of City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A and \$6,020,000 of the \$11,170,000 original aggregate principal amount of City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable) outstanding in addition to the Series 2008 Bond.

## Operations

Pursuant to the Act, the Authority's operations are limited to the acquisition, management and operation of the Hospital, including financing costs relating thereto and to capital improvements of the Hospital. Management and operation of the Hospital is provided by Hudson Healthcare, Inc. ("Hudson Healthcare" or the "Manager"), a New Jersey not-for-profit 501(c)(3) corporation under the terms of the Master Manager and Operator Agreement. See "THE MANAGER" herein. For additional information regarding the Authority see, "APPENDIX A "CERTAIN INFORMATION RELATING TO THE HOBOKEN UNIVERSITY MEDICAL CENTER".



## THE HOSPITAL

Founded in 1863, the Hoboken University Medical Center (formerly known as St. Mary Hospital), (the “Hospital”) is the oldest hospital in New Jersey and is situated in the most densely populated part of the State. Hoboken has changed from a typical northeastern urban area once dependent on shipping and manufacturing, to a thriving town of luxury high-rise residences, corporate headquarters and Wall Street back-room services, cafes and restaurants that rival the big city across the river. Hoboken and surrounding communities offer a blend of similar gentrification and long-term residents, along with less affluent inner city residents including newcomers from many lands (largely Hispanic and Middle Eastern).

The Authority, simultaneously with the issuance of the Series 2007 Bonds, acquired substantially all of the assets comprising the Hospital from St. Mary Hospital Inc. and Bon Secours Health System, Inc. (“Bon Secours”). The purchase price for the assets was \$1.00. In addition, pursuant to the Act, Bon Secours provided \$13 million in working capital contributions to the Authority. Under the ownership of Bon Secours, St. Mary’s Hospital experienced substantial operating losses. Following the acquisition of the assets, the hospital was renamed Hoboken University Medical Center (HUMC) and started doing business as such on February 1, 2007. Simultaneously the HMHA entered into a “Master Manager and Operator Agreement” with Hudson Healthcare. Hudson Healthcare performs all the duties necessary to direct and control the day-to-day operations of the facility and has developed a five year feasibility program. Under Hudson Healthcare’s management, the Hospital completed its first year of operations with a \$2 Million operating margin, calculated before deduction of additional costs relating to building and equipment issues. Hudson Healthcare, as the manager and operator of the Hospital, achieved this turnaround by aligning physician requirements with the hospital objectives, reducing average length of stay by one-half day, renegotiating contracts and improving quality.

In addition to higher census and lower costs, the Hospital’s positive operating margin has also been due to funding from New Jersey’s Disproportionate Share Hospital (DSH) Program. The DSH program is funded 50% by the federal government and 50% by the State and allows for payments to be made to hospitals that serve disproportionate numbers of low-income patients with special needs. In New Jersey, although many inner city hospitals derive some income through the DSH program, public hospitals are paid for services to a broader group of patients and, therefore, generally receive significant DSH payments. Although the Hospital currently qualifies for DSH funds, there can be no assurance as to the amount of DSH funds, if any, the State will appropriate for the Hospital. See “SECURITY FOR THE SERIES 2008 Bond – Disproportionate Share Hospital Funds” herein. As its regular patient income improves, the Hospital expects to become less reliant on DSH funds to meet its operating budget, and expects to use DSH funds for reserves and capital improvements. See “SECURITY FOR THE SERIES 2008 BOND – Disproportionate Share Hospital Funds” herein.

Further growth in the Hospital’s operating margin is expected with the completion of a larger, more efficient emergency department in 2009. Currently, more than 40 percent of the Hospital’s admissions come through the emergency department. The current emergency care area was designed for only 18,000 patient visits a year, however, is now handling about 30,000 patient visits. The current emergency care area is unable to handle increasing demand. The new, state-of-the-art emergency care area is expected to increase net patient care revenue by 15% in its first full year of operation.

## **THE FACILITIES**

The main Hospital building, located at 308 Willow Avenue, is a seven story structure, approximately 300,000 square feet, currently licensed for 358 acute care beds and 6 bassinets. The Hospital's medical staff currently includes 468 physicians, of which 382 are active members. For additional information regarding the Hospital see, "APPENDIX A "CERTAIN INFORMATION RELATING TO THE HOBOKEN UNIVERSITY MEDICAL CENTER".

In addition to the main Hospital building, the Authority acquired, with proceeds of the Series 2007 Bonds a 25,565 square foot Medical Clinic building located at 122-132 Clinton Street and a 5,300 square foot office building located at 4<sup>th</sup> Street and Willow Avenue. Proceeds of the Series 2008 Bond will also be used to make various capital improvements to the main Hospital building and to certain leased office space. See "PURPOSE OF THE SERIES 2008 BOND" herein.

The foregoing acquisitions were effectuated pursuant to an Asset Transfer Agreement, dated as of February 1, 2007, among St. Mary Hospital, Inc., Bon Secours, the Authority and the Manager (the "Asset Transfer Agreement"). The Asset Transfer Agreement contains various representations, warranties, covenants and other undertakings of the parties, including certain indemnifications and required payments. See, for example, "RISK FACTORS – Payments Upon Sale or Closure" herein.

## **THE MANAGER**

As required by the Act, the Hospital must be managed and operated by a nonprofit manager. The Authority has entered into a Master Manager and Operation Agreement dated February 1, 2007 (the "Master Manager and Operator Agreement") with Hudson Healthcare. The Manager has received a determination letter from the Internal Revenue Service that it is a corporation described in Section 501(c)(3) of the Code. The five members of the Board of Directors of the Manager are: Ronald F. DiVito, Harvey A. Holzberg, Fred DeSanti, Andrew Leitner, and Andrew Greene. Andrew Leitner was appointed, as required by the Act, by Governor Jon S. Corzine. As part of the acquisition of the Hospital, numerous contracts in regard to the operations of the Hospital were assigned to the Manager. The Manager has entered into consulting agreements with Harvey A. Holzberg, LLC to provide the services of Harvey A. Holzberg as the chief executive officer of the Hospital and with Medical Support Systems, Inc. to provide the services of Mr. DiVito as the chief financial officer of the Hospital. Mr. Holzberg was previously the CEO of Robert Wood Johnson University Medical Center in New Brunswick, New Jersey. Mr. DiVito previously provided executive services to Aetna Insurance and Empire Blue Cross.

The agreement between the Manager and the Authority provides that the Manager shall be a single purpose entity, whose sole purpose will be to manage and operate the Hospital and that the payments from the Authority to the Manager will be equal to the expenses incurred by the Manager in managing and operating the Hospital. If the agreement between the Authority and the Manager is terminated for any reason, the agreement provides that all contracts assumed by or entered into by the Manager will be transferred at the direction of the Authority to a successor non-profit entity designated by the Authority to operate and manage the Hospital.

## **RISK FACTORS**

The discussion herein of risks to the Holders of the Series 2008 Bond is not intended as dispositive, comprehensive or definitive, but rather is to summarize certain matters which could affect payment on the Series 2008 Bond. Other sections of this Official Statement, as cited herein, should be referred to for a more detailed description of risks described in this section, which descriptions are qualified by reference to any documents discussed therein. Copies of all such documents are available for inspection at the principal office of the Trustee.

### **General**

The Series 2008 Bond is a special, limited obligation of the Authority, payable solely out of the Revenues and other receipts, funds or moneys of the Authority pledged under the Indenture and from any amounts otherwise available under the Indenture for the payment of the Series 2008 Bond. Neither the State of New Jersey, any political subdivision thereof (other than the City, to the extent of the City Guaranty) or any other political subdivision of the State is obligated to pay, and neither the faith and credit nor taxing power of the State of New Jersey, any political subdivision thereof (other than the City, to the extent of the City Guaranty) or any other political subdivision of the State is pledged to the payment of the principal or Redemption Price of or interest on the Series 2008 Bond. The Authority has no taxing power.

### **Adequacy of Revenues**

The Series 2008 Bond is payable solely from the Revenues and the other moneys, securities, rights and proceeds constituting the Trust Estate, equally and ratably with any Additional Bonds hereafter issued under the Indenture and any Financing Facility Obligations hereafter entered into by the Authority in connection with any Bonds. No representation or assurance can be made that Revenues will be realized by the Authority in amounts sufficient to pay maturing principal of, premium, if any, and interest on the Series 2008 Bond. The ability of the Authority to make payments on the Series 2008 Bond depends, among other things, upon the capability of management of the Manager and the ability of the Manager to maximize revenues under various third party reimbursement programs and to minimize costs and to obtain sufficient revenues from their operations to meet such obligations. These revenues are affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. The risk factors discussed below should be considered in evaluating the ability of the Authority to make payments in amounts sufficient to meet its obligations under the Series 2008 Bond. This discussion is not, and is not intended to be, exhaustive.

Future statutory amendments or changes to regulations promulgated thereunder pertaining to the various third party reimbursement programs, economic conditions including the demand for health care services, the ability of the Authority to provide services required by patients, physicians' confidence in the Manager, competition from other health care facilities in the Hospital's service area, various third-party reimbursement programs, including Medicare and Medicaid, private insurers and HMOs and PPOs, future federal and State funding of health care reimbursement programs and future economic and other conditions that are unpredictable also affect the ability of the Authority to make payments under the Series 2008 Bond. No assurances can be given that patient utilization or revenues available to the Authority from its operations

will remain stable or increase. The Authority expects that it will experience increases in operating costs due to inflation and other factors. There is no assurance that cost increases will be matched by increased patient and other charges in amounts sufficient to generate an excess of revenues over expenses.

The ability of the Authority to make required payments on the Series 2008 Bond is subject to, among other things, the capabilities of the management of the Manager and future economic and other conditions, which are unpredictable and which may affect revenues and, in turn, the payment of principal of, premium, if any, and interest on the Series 2008 Bond. Future revenues and expenses of the Authority will be affected by events and conditions relating generally to, among other things, demand for the Hospital's services, its ability to provide the services required by patients, physicians' relationships with the Hospital, management capabilities, the design and success of the Manager's strategic plans, economic developments in the service area, the Manager's ability to control expenses, maintenance by the Manager of relationships with HMOs and PPOs, competition, rates, costs, third-party reimbursement, legislation and governmental regulation. Federal and State funding statutes and regulations are the subject of intense legislative debate and are likely to change, and unanticipated events and circumstances may occur which cause variations from the Authority's expectations, and the variations may be material. THERE CAN BE NO ASSURANCE THAT THE REVENUES OF THE AUTHORITY OR UTILIZATION OF ITS FACILITIES WILL BE SUFFICIENT TO ENABLE THE AUTHORITY TO MAKE PAYMENTS ON THE SERIES 2008 BOND AND THE HOSPITAL'S OPERATING EXPENSES.

The future financial condition of the Authority could be affected adversely by, among other things, legislation, regulatory actions, economic conditions, increased competition from other health care providers, changes in the demand for health care services, demographic changes, malpractice claims and other litigation. The following factors, among others, may unfavorably affect the operations of health care facilities, including those of the Authority, to an extent and in a manner that cannot be determined at this time:

1. Employee strikes and other adverse actions that could result in a substantial reduction in revenues with corresponding decreases in costs.
2. Reduced need for hospitalization or other services arising from future medical and scientific advances.
3. Reduced demand for the services of the Hospital that might result from decreases in population of the service area of the Institution.
4. Increased unemployment or other adverse economic conditions in the service area of the Hospital which could increase the proportion of patients who are unable to pay fully for the cost of their care.
5. Cost, availability and sufficiency of any insurance such as medical malpractice, fire, worker's compensation, automobile and general comprehensive liability and property damage that health care facilities of a similar size and type generally carry.
6. Adoption of legislation which would establish a national health care program.

7. Cost and availability of energy.
8. Potential depletion of the Medicare trust fund.
9. The occurrence of terrorist activities or natural disasters, including floods and earthquakes, may damage the facilities of the Hospital, interrupt utility service to the facilities, or otherwise impair the operation of the Hospital and the generation of revenues from the facilities.
10. Technological advances in recent years have accelerated the trend toward the use of sophisticated diagnostic and treatment equipment in hospitals.
11. Other risk factors may also affect the operations of the Hospital: (a) uninsured acts of God; (b) increased costs and possible liability exposure arising out of potential environmental hazards; and (c) imposition of wage and price controls for the health care industry.
12. Developments adversely affecting the federal or State tax-exemption of municipal bonds.
13. Changes in the governmental requirements concerning how patients are treated.

There has not been any independent investigation made regarding the extent to which any such factors may have an adverse impact on the financial condition of the Authority. No representation or assurance can be given that the Authority will generate revenues sufficient to allow payment of debt service on the Series 2008 Bond when due.

Notwithstanding the foregoing, however, the payment of the principal of and interest on the Series 2008 Bond is unconditionally guaranteed by the City pursuant to the City Guaranty. See “LITIGATION – Certain Litigation – The City” herein. While payment of the principal of (including sinking fund installments, if any) and interest on the Series 2008 Bond will be secured by the City Guaranty, any insufficiency of Revenues to meet expenses of the Authority (including debt service) may adversely affect the ability of the Authority to continue to operate the Hospital, possibly resulting in an early redemption and/or defeasance of Bonds.

### **Licensing, Surveys, Accreditations and Audits**

On a regular basis, health care facilities, including those of the Authority, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. Those requirements include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, private payors, the Joint Commission on Accreditation of Healthcare Organizations, the National Labor Relations Board and other federal, state and local government agencies. Renewal and continuance of certain of these licenses, certifications and accreditations is based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by the Hospital. These activities are generally conducted in the normal course of

business of health care facilities. Nevertheless, an adverse result could be the cause of loss or reduction in a facility's scope of licensure, certification or accreditation, third party payor contracts or reduction in payments received. The Authority currently expects to renew or maintain all currently held licenses, certifications or accreditations. There can be no assurance that the requirements of present or future laws, regulations, certifications, licenses or third party payor contracts will not materially and adversely affect the future operations of the Authority.

The Internal Revenue Service (the "IRS") and State, county and local taxing authorities audit and investigate hospital operations. These audits may result in disputes about issues ranging from sales tax collections to qualifications of a hospital's exemption from property or income taxation. The IRS undertakes audits and reviews of the operations of tax-exempt organizations (such as the Manager, upon receipt of its determination letter from the IRS) with respect to such matters as their generation of unrelated business taxable income or relating to inurement of or under private benefit to non-501(c)(3) entities, proper classification of workers as employees, and joint ventures. In some cases, the tax-exempt status of hospitals has been questioned as a result of activities deemed to violate the tax laws or other statutes. In addition, the OIG also undertakes audits and reviews of Medicare billing practices and other regulatory matters. In some cases, hospitals have incurred substantial liabilities including interest and penalties as a result of the findings of such audits.

### **Certificate of Need**

State law requires a health care facility, under certain circumstances, to obtain a Certificate of Need from the DHSS prior to the initiation of certain new health care services, bed additions, bed reductions, or conversions, and certain transfers of ownership. The existence of Certificate of Need requirements tends to inhibit hospitals from initiating certain types of projects or services which might enhance their competitive position or revenue sources. Over the past several years, relaxation of Certificate of Need rules have allowed health care providers to expand activities without adhering to the more rigorous requirements previously imposed. One of the purposes of these changes is to increase opportunities for competition in the health care market. Although these changes may increase the Hospital's opportunities to provide additional services, they also may increase its exposure to competition from other health care providers.

### **Enforceability of Lien on Revenues**

To the extent that Revenues are derived from payments by the federal government under the Medicare or Medicaid programs, any right to receive such payments directly may be unenforceable. The Social Security Act and state regulations prohibit anyone other than the individual receiving care of the institution providing service from collecting Medicare and Medicaid payments directly from the federal or state government. In addition, Medicare and Medicaid receivables may be subject to provisions of the Assignment of Claims Act of 1940 which restricts the ability of a secured party to collect accounts directly from government agencies. With respect to receivables and revenues not subject to the lien, or where such lien was unenforceable, the Authority would occupy the position of an unsecured creditor. Bond Counsel has not provided an opinion with regard to the enforceability of the lien on Revenues of the Authority, where such Revenues are derived from the Medicare and Medicaid programs.

### **501(c)(3) Status of the Manager**

The federal tax-exempt status of the Series 2007A Bonds following the Conversion Date depends upon maintenance by the Manager of its status as an organization described in Section 501(c)(3) of the Code. To maintain such status, the Manager must conduct its operations in a manner consistent with representations made to the IRS and with current and future IRS regulations and rulings governing tax-exempt health care facilities.

The IRS conducts in depth reviews of the tax-exempt status of health care providers. Recently, IRS has begun more carefully to scrutinize joint ventures between tax-exempt hospitals and physicians or other for-profit entities. On a number of occasions, IRS has concluded that such arrangements impermissibly benefit private parties, resulting in private inurement, excessive private benefit, or violations of the anti-referral provisions of the Medicare fraud and abuse laws. In recent litigation, a federal circuit court denied tax-exempt status to a hospital affiliate involved in a joint venture with a for-profit entity. Citing lack of control by the affiliate and failure of the venture to achieve charitable objectives, the court ruled that the joint venture resulted in undue private benefit. If any of the ventures or other arrangements of the Manager were determined to result in private inurement, excessive private benefit or a violation of the Anti-Kickback Statute, the Manager could lose its tax-exempt status.

Compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the Authority to charge and collect revenues, finance or refinance indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the Series 2008 Bond. Although the Manager has covenanted to maintain its status as a tax-exempt organization, loss of tax-exempt status would likely have a significant adverse effect on such organization and its operations and could result in the inclusion of interest on the Series 2007A Bonds in gross income for federal income tax purposes retroactive to their date of Conversion and materially impact the financial condition of the Authority and its ability to operate the Hospital.

The tax-exempt status of nonprofit corporations, and the exclusion of income earned by them from taxation, has been the subject of review by various federal, state and local legislative, regulatory and judicial bodies. This review has included proposals to broaden and strengthen existing federal tax law with respect to unrelated business income of nonprofit corporations.

In addition to the foregoing proposals with respect to income of nonprofit corporations, various state and local governmental bodies in certain parts of the country have challenged the tax-exempt status of such institutions and have sought to remove the exemption of property from real estate taxes of part or all of the property of various nonprofit institutions on the grounds that a portion of such property was not being used to further the charitable purposes of the institutions or that the institution did not provide sufficient care to indigent persons so as to warrant exemption from taxation as a charitable institution. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. Since such actions and proposals have been made, they have been vigorously challenged and contested. There can be, however, no assurance that future changes in the laws and regulations of the federal, state or local governments will not materially and adversely affect the operations and revenues of the Authority by requiring the Authority and/or the Manager to pay income or real estate taxes.

The Subcommittee on Oversight of the United States House of Representatives Ways and Means Committee is currently considering options and recommendations in the area of taxation of unrelated business income of nonprofit corporations. Hearings have been held on these options and recommendations, and legislation may be drafted to clarify and strengthen existing law with respect to unrelated business income tax. The scope and effect of legislation, if any, which may be adopted at the federal and state levels with respect to unrelated business income, cannot be predicted. Any such legislation could have the effect of subjecting a portion of the income of the Manager to federal or state income taxes.

Other legislative changes or judicial actions with respect to matters relating to the tax-exempt status of nonprofit corporations, including the provision of free care to the indigent and the exemption from property taxes of such corporations, could be enacted. There can be no assurance that the future changes in federal, state or local laws, rules, regulations and policies governing tax-exempt entities will not have adverse effects on the future operations of the Authority.

### **Payments Upon Sale or Closure**

As described above under the heading “THE FACILITIES”, the Authority acquired certain assets, including the main Hospital campus and two additional buildings, from Bon Secours. As a condition to such acquisition, the Asset Transfer Agreement provides that, if during the two year period following the purchase of the Hospital facilities (i.e. January 31, 2009), the Hospital is closed for any reason and the Hospital is sold, conveyed or otherwise transferred to a third party or is used by the Authority or the Manager for purposes other than the provision of health care services to a broad spectrum of the communities served by the Hospital, then in either such event the Authority shall be required to pay to Bon Secours an amount calculated as provided in the Asset Transfer Agreement (the “Payment Upon Sale or Closure”). The Payment Upon Sale or Closure is computed generally with reference to a percentage of the “net proceeds” or “net appraised value” of the property, after first deducting, *inter alia*, any unpaid and outstanding indebtedness incurred by the Authority as evidenced by Bonds (including the Series 2008 Bond) and any amounts paid by the City pursuant to the City Guaranty.

In the event of a closure of the main Hospital campus in an amount less than the Outstanding principal of and interest on the Outstanding Bonds, and in the absence of continuing Revenues from the operation of the Hospital, recourse to the City Guaranty will likely be required in order to pay principal of and interest on the remaining Outstanding Bonds of the Authority.



## **DISSOLUTION OF AUTHORITIES**

The Local Authorities Fiscal Control Law also permits the governing body of the municipality, by ordinance, to dissolve an authority it has created, except that the ordinance shall be approved by the Local Finance Board prior to adoption. The Local Finance Board shall approve the dissolution if it finds that the ordinance makes adequate provision in accordance with a bond resolution or otherwise for the payment of all creditors or obligees of the authority and that adequate provision is made for the assumption of those services provided by the authority which are necessary for the health, safety and welfare of the recipients of those services. In the event that an authority has obligations outstanding at the time of the taking effect of the ordinance to dissolve the authority, the municipality dissolving the authority is authorized to issue obligations in furtherance of the dissolution, which obligations shall be sold under the direction and supervision of the Local Finance Board.

The Local Authorities Fiscal Control Law was recently amended to provide that, in connection with a dissolution of an authority by the municipality which created it (as described in the preceding paragraph), in lieu of the municipality issuing its obligations in furtherance of the dissolution, either the municipality or another existing authority which serves the municipality may assume the responsibility for and payment of the obligations of the authority being dissolved. No such assumption shall be effective, however, until the assuming municipality or authority determines by resolution that such assumption will be a cost effective means of meeting those obligations compared with the issuance of obligations of the municipality or existing authority, and the municipality (and, if applicable, the existing authority assuming such obligations) holds a public hearing on the question of such assumption. In order to make adequate provision for the payment of outstanding obligations of an authority being dissolved, the assuming municipality or authority is authorized, for so long as any bonds issued by the authority being dissolved remain outstanding, to exercise directly all of the powers of such authority, as if it had not been dissolved, as appropriate and necessary to comply with the terms of any bond indenture or to assure that the security of the holders of such authority's obligations shall not be adversely affected by the assumption of such obligations by the municipality or existing authority.

The above references to the statutes relating to the termination or dissolution of authorities are not to be construed as an indication that the Authority or the City expect to utilize any of these provisions.

## **LITIGATION**

### **The Authority**

In the opinion of GluckWalrath LLP, Trenton, New Jersey, general counsel to the Authority ("Authority's Counsel"), there is no controversy or litigation of any nature now pending or threatened against the Authority, to restrain or enjoin the issuance, sale, execution or delivery of the Series 2008 Bond or the security pledged therefore, or in any way questioning or affecting the validity of the Series 2008 Bond or any proceedings of the Authority taken with respect to the issuance or sale thereof or the pledge or application of any moneys or securities provided for the payment of the Series 2008 Bond. In addition, there is no controversy or

litigation of any nature now pending or threatened, (i) which challenges the existence or powers of the Authority, (ii) which would have a material adverse effect on the Project, the Plan of Finance or the Facilities or the collection of Revenues therefor, (iii) which would affect the results of operations or the financial condition of the Authority, the Facilities, or the Project or Plan of Finance, or (iv) which would affect the validity or enforceability of the Guaranty Agreement. See "LITIGATION – Certain Litigation – The City" herein.

### **Certain Litigation – The Authority**

The Authority is currently a party to litigation in the matter of Elizabeth Mason vs. Hoboken Municipal Hospital Authority, et al., pending in the Law Division of the Superior Court – Hudson County under docket number HUD-L-5963-06. The litigation alleges violations of the New Jersey Open Public Meetings Act and Open Public Records Act during 2006. Although no Order has been entered, the Court has made factual findings that violations did occur. The Authority does not know what, if any, remedies will be ordered by the Court as a result of such findings.

### **The City**

There is not now pending or threatened any litigation contesting the adoption and validity of the ordinance authorizing the City Guaranty or any of the proceedings taken by the City or the entering into the City Guaranty or the Guaranty Agreement. In the opinion of Steven W. Kleinman, Corporation Counsel to the City ("Corporation Counsel"), there is no litigation pending that would have a material adverse effect on the financial condition or the results of operations of the City or the ability of the City to pay, if required, principal of and interest on the Series 2008 Bond under the terms of the City Guaranty and the Guaranty Agreement.

### **Certain Litigation – The City**

On July 16, 2008, a Complaint was filed in the Superior Court of New Jersey, Law Division (Hudson County) by Susan Jacobucci, Director of the Division of Local Government Services, Department of Community Affairs and the Local Finance Board, against the City, seeking a judicial determination, pursuant to Article IV of the Local Government Supervision Act, N.J.S.A. 52:27BB-54 et seq. ("Article IV"), a copy of which is attached hereto as Appendix I, specifically N.J.S.A. 52:27BB-55(6), that a gross failure on the part of the City to comply with the provisions of the Local Budget Law has occurred which failure substantially jeopardizes the fiscal integrity of the municipality. The plaintiffs allege that the City (i) has failed to satisfy the statutory deadlines set forth in the Local Budget Law for introduction and adoption of its annual budget, (ii) has incurred significant over-expenditures in violation of the Local Budget Law, and (iii) as a result of its conduct, has been unable to meet certain important financial obligations. The Complaint also requests such other relief as the Court may deem equitable and just. As a result of the litigation, a Consent Order was entered by the Court resulting in the judicial determination described above.

As a result of the Consent Order, the Director of the Division of Local Government Services and the Local Finance Board were authorized to seek certain powers to impose special restraints upon the City. Such restraints may include, among others, (i) limitations on the issuance of debt or incurrence of other financial liabilities, and (ii) limitations upon expenditures and appropriations of the City; **provided however, that Article IV shall not be construed to**

**authorize an appropriation of less than the full amount required for the payment of debt service; or to authorize the abrogation of any covenant entered into with bondholders.** The Director gave notice to the governing body of the City that the question of the application of Article IV to the City would be placed before the Local Finance Board for its determination. On September 10, 2008, the Local Finance Board gave the governing body of the City and any other interested parties an opportunity to be heard. The Local Finance Board voted to implement the Court's decision, finding that the conditions set forth in Article IV existed, and by resolution it determined that the City is subject to supervision pursuant to, among other things, Article IV. Such Local Finance Board resolution, a copy of which is attached hereto as Appendix J (the "LFB Resolution") sets forth the limitations imposed upon the City. The LFB Resolution was submitted to the Commissioner of the Department of Community Affairs, the State Treasurer and the Attorney General and was effective as of September 12, 2008 upon the approval of all three of these cabinet officers. The LFB Resolution is effective for one year and is subject to renewal each year by the Local Finance Board and approval by two of the cabinet officers.

Corporation Counsel of the City is of the opinion that a final resolution of this lawsuit will not affect the validity of the City Guaranty, the Guaranty Agreement, or the City's obligations under either. SEE "SECURITY FOR THE SERIES 2008 BOND – City Guaranty" herein, "APPENDIX I – LOCAL GOVERNMENT SUPERVISION ACT N.J.S.A. 52-27BB-54 ET SEQ." AND "APPENDIX J – LOCAL FINANCE BOARD RESOLUTION DATED SEPTEMBER 10, 2008 WITH RESPECT TO THE LOCAL FINANCE BOARD'S ACTIONS UNDER THE LOCAL GOVERNMENT SUPERVISION ACT CONCERNING THE CITY OF HOBOKEN".

#### **APPROVAL OF LEGAL PROCEEDINGS**

Legal matters incident to the authorization, issuance, sale and delivery by the Authority of the Series 2008 Bond to the Underwriter is subject to the approval of legality by GluckWalrath LLP, Bond Counsel to the Authority, the form of whose legal opinion as to the validity of the Series 2008 Bond is attached as APPENDIX G hereto. Certain legal matters will be passed on for the Authority by Authority's Counsel, for the City by the City's Corporation Counsel and for the Underwriter by its counsel, DeCotiis, Fitzpatrick, Cole & Wisler, LLP, Teaneck and Trenton, New Jersey.

The various legal opinions and/or certifications to be provided to be delivered concurrently with the delivery of the Series 2008 Bond express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion and/or certification, the attorneys do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Further, the rendering of an opinion and/or certification does not guarantee the outcome of any legal dispute that may arise out of the transaction.

#### **PLEDGE OF THE STATE NOT TO LIMIT POWERS OF AUTHORITY OR RIGHTS OF BONDHOLDERS**

The Act sets forth the pledge, covenant and agreement of the State that it will not limit or alter the rights or powers vested by the Act in the Authority to, *inter alia*, fix, establish, charge

and collect its Revenues and to perform and fulfill the terms of any agreements made with holders of bonds or other obligations of the Authority so as to in any way impair the rights and remedies of such holders, until such bonds or other obligations, together with interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such holders, are fully met and discharged or provided for.

## **SECONDARY MARKET DISCLOSURE**

In accordance with the provisions of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, the Authority will, prior to the issuance of the Series 2008 Bond, enter into a continuing disclosure agreement with the Trustee, as dissemination agent, and the City, substantially in the form set forth in Appendix H hereto, to provide certain financial information and operating data relating to the Authority and the City, and to provide notices of the occurrence of certain enumerated events, if material.

Requests for information, data and notices pursuant to this section should be directed to the Authority's Executive Director, George Crimmins, 308 Willow Avenue, Hoboken, New Jersey 07030.

In the event that either the Authority or the City fails to comply with its respective undertaking, neither the Authority nor the City shall be liable for monetary damages, remedy being specifically limited to specific performance of the covenants contained in its written undertaking.

Neither the Authority nor the City has failed to comply, in all material respects, with any previous undertakings pursuant to the Rule.

## **LEGALITY FOR INVESTMENT**

Under the Act, the Series 2008 Bond is a security in which the State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies and other persons carrying on a banking or investment business, all insurance companies, insurance associations and other persons carrying on an insurance business; and all executors, administrators, guardians, trustees and other fiduciaries may legally invest any sinking funds, moneys, or other funds belonging to them or within their control in any bonds, including the Series 2008 Bond, and such bonds will be authorized security for any and all public deposits.

## **TAX MATTERS**

### **General**

The following is a general discussion of certain of the anticipated federal tax consequences of the purchase, ownership and disposition of the Series 2008 Bond by the original purchasers of the Series 2008 Bond. This discussion is based upon the Code, regulations, rulings and decisions now in effect, all of which are subject to change at any time, possibly with retroactive effect, and does not purport to deal with federal income tax consequences applicable to all categories of investors, some of which will be subject to special rules. This discussion assumes that the Series 2008 Bond will be held as “capital assets” under the Code and that the Series 2008 Bond is owned by U.S. Holders (as defined below). Investors should consult their own tax advisors in determining the federal, state, local or other tax consequences to them of purchase, ownership and disposition of the Series 2008 Bond.

As used herein, the term “U.S. Holder” means a beneficial owner of a Bond that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any State or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a court within the United States and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

### **Interest Income**

INTEREST ON THE SERIES 2008 BOND IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. The Authority will report annually (or more frequently if required) to owners of record and to the Internal Revenue Service in respect of interest paid on the Series 2008 Bond.

### **Backup Withholding**

Under the Code, payments on the Series 2008 Bond may, under certain circumstances, be subject to “backup withholding”. This withholding generally applies if the owner (i) fails to furnish such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnishes an incorrect TIN, (iii) fails to properly report interest, dividends or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide such owner’s securities broker with a certified statement, signed under penalties of perjury, that the TIN is correct and that such Bondholder is not subject to backup withholding. Owners of the Series 2008 Bond should consult their own tax advisors as to their qualification for exemption for backup withholding and the procedures for obtaining the exemption.

### **Miscellaneous**

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Series 2008 Bond which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of Series 2008 Bond should consult their own tax advisors with respect to the consequences of owning Series 2008 Bond, including the effect of such ownership under

applicable state and local laws.

**IRS CIRCULAR 230 DISCLAIMER REGARDING THE SERIES 2008 BOND: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, ANY TAX OPINIONS CONTAINED HEREIN WITH RESPECT TO THE SERIES 2008 BOND IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE.**

## **STATE TAXATION**

Bond Counsel is of the opinion, based upon existing statutes and judicial decisions, that interest on the Series 2008 Bond and net gains from the sale of the Series 2008 Bond is not included as gross income under the New Jersey Gross Income Tax Act. Potential purchasers of the Series 2008 Bond should consult with their tax advisors in order to understand the tax consequences of ownership of the Series 2008 Bond under the laws of other states.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE RECITAL OF THE POTENTIAL TAX CONSEQUENCES OF HOLDING THE SERIES 2008 BOND. PROSPECTIVE PURCHASERS OF THE SERIES 2008 BOND SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE SERIES 2008 BOND.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Authority and the City should be considered with reference to 11 U.S.C. §101 *et seq.*, effective April 20, 2005 (“Bankruptcy Act”), and other bankruptcy laws affecting creditors’ rights and public entities in general. The Bankruptcy Act permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner’s creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Act specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

The Bankruptcy Act provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues (as defined in the Bankruptcy Act) acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Act provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Act.

Reference should also be made to N.J.S.A. §52:27-40 *et seq.* which provides that a local unit, including the Authority and the City, has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Act, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission pursuant to N.J.S.A. §52:27-1, must be obtained. Neither the Authority nor the City has authorized the filing of a bankruptcy petition. The Authority and the City are fiscally sound and the City has a broad tax base.

THIS REFERENCE TO THE BANKRUPTCY ACT OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE AUTHORITY OR THE CITY EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE SERIES 2008 BOND, OR THAT THE BANKRUPTCY ACT COULD NOT BE AMENDED AFTER THE DATE HEREOF.

## **UNDERWRITING**

The Series 2008 Bond is being purchased by NW Capital Markets Inc. (the “Underwriter”) pursuant to the Bond Purchase Contract, dated October 27, 2008, between the Underwriter and the Authority (the “Bond Purchase Contract”) at an aggregate price of \$9,574,200. The purchase price of the Series 2008 Bond of \$9,574,200 reflects the par amount of the Series 2008 Bond in the amount of \$9,720,000, less an Underwriter’s discount in the amount of \$48,600, less original issue discount of 97,200. The Underwriter is obligated to purchase the entire Series 2008 Bond if any of the Series 2008 Bond is purchased.

The Underwriter intends to offer the Series 2008 Bond to the public initially at the offering price set forth on the front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2008 Bond to the public. The Underwriter may offer and sell the Series 2008 Bond to certain dealers (including dealers depositing the Series 2008 Bond into investment trusts) at prices lower or yields higher than the public offering price or yields set forth on the front cover page, and such public offering prices or yields may be changed, from time to time, by the Underwriter.

## **RATING**

The Series 2008 Bond is unrated.

## **VERIFICATION**

McEnerney, Brady & Company, LLC, certified public accountants have, based on certain information provided to it by the Underwriter, verified the mathematical computation of the adequacy of the cash and maturing principal of and interest on the investments in each account of the Escrow Fund to make payment of the principal of, and interest on the Defeased 2007A Bonds and the Prior Bonds to be Refunded, respectively, on the payment dates.

## **FINANCIAL STATEMENTS OF THE AUTHORITY**

The financial statements of the Authority as of and for the period from February 1, 2007 (inception) to December 31, 2007, included as Appendix C to this Official Statement, have been audited by McEnerny, Bracy & Company, LLC, Livingston, New Jersey, independent auditors (the “Authority Auditor”) as stated in their report thereon dated May 9, 2008.

## **FINANCIAL STATEMENTS OF THE CITY**

The financial statements of the City as of and for the year ended June 30, 2007, included as Appendix D to this Official Statement, have been audited by Garbarini & Co. P.C., Carlstadt, New Jersey, independent auditors, (the “City Auditor”) as stated in their report thereon.

## **APPENDICES**

APPENDIX A to this Official Statement consists of certain information concerning the Hospital which has been extracted from public records and public documents of the Hospital and from other public or official documents or publications which are referred to therein, which information has been compiled and prepared by the Manager.

APPENDIX B to this Official Statement consists of certain information concerning the City which has been extracted from public records and public documents of the City and from other public or official documents or publications which are referred to therein, which information has been compiled and prepared by the City.

APPENDIX C to this Official Statement consists of the audited financial statements of the Authority for period of February 1, 2007 (inception) to December 31, 2007, together with Notes to Financial Statements for the period ended December 31, 2007. Such financial statements have been audited and provided by the Auditor, as set forth in its report appearing in APPENDIX C.

APPENDIX D to this Official Statement consists of the audited financial statements of the City for the fiscal year ended June 30, 2007, together with Notes to Financial Statements for the year ended June 30, 2007. Such financial statements have been audited and provided by the Auditor, as set forth in its report appearing in APPENDIX D.

APPENDIX E to this Official Statement contains the forms of the Indenture of Trust and Fourth Supplemental Indenture.

APPENDIX F to this Official Statement contains a copy of the City Guaranty Ordinance and the form of the Guaranty Agreement.

APPENDIX G to this Official Statement consists of the form of opinion of Bond Counsel. Copies of such opinion will be available at the time of delivery of the Series 2008 Bond.



APPENDIX H to this Official Statement consists of the form of Continuing Disclosure Agreement.

APPENDIX I to this Official Statement consists of the Local Government Supervision Act N.J.S.A. 52-27BB-54 et seq.

APPENDIX J to this Official Statement consists of the Local Finance Board Resolution dated September 10, 2008 with respect to the Local Finance Board's actions under the Local Government Supervision Act concerning the City of Hoboken.

### **MISCELLANEOUS**

The execution and delivery of this Official Statement have been duly authorized by the Authority. Concurrently with the delivery of the Series 2008 Bond, the Authority will furnish a certificate to the effect that nothing has come to the Authority's attention that would lead the Authority to believe that the Official Statement, in final form, contains any untrue statement of a material fact or omits to state any information necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. Certain information contained in the Official Statement has been obtained from sources other than the Authority which the Authority believes to be reliable, but it makes no warranty or other representation with respect to the accuracy and completeness of such information. All quotations from and summaries and explanations of provisions of laws, statutes, resolutions and agreements herein do not purport to be complete and reference should be made to said laws, statutes, resolutions and agreements for a full and complete statement of their provisions.

This Official Statement is not to be construed as a contract or agreement between the Authority and the Underwriter or the purchaser or holder of any of the Series 2008 Bond. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or of the Authority since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

HOBOKEN MUNICIPAL HOSPITAL  
AUTHORITY

/s/ George W. Crimmins  
George W. Crimmins, Executive Director

Dated: October 27, 2008

## **APPENDIX A**

### **CERTAIN INFORMATION RELATING TO THE HOBOKEN UNIVERSITY MEDICAL CENTER**

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## APPENDIX A

### OVERVIEW OF THE HOBOKEN UNIVERSITY MEDICAL CENTER

The Hoboken Municipal Hospital Authority (the “Authority”) owns and operates Hoboken University Medical Center (“HUMC” or the “Hospital”) formerly known as St. Mary Hospital in the City of Hoboken, New Jersey (the “City”), one of six acute care hospitals in Hudson County, New Jersey. Founded in Hoboken in 1863, it is New Jersey's oldest continuing-service hospital. Although it has a very strong emotional association with the City, its Primary Service Area (“PSA”) also includes Union City, West New York, Weehawken, and North Bergen. Today, the HUMC PSA encompasses nearly 291,000 people, a population roughly equal to the size of Newark. Combined with a Secondary Service Area (SSA) population of approximately 320,000, its total Community Service Area (CSA) is approximately 611,000. HUMC delivers community health services and offers a full continuum of health care services to its community, serving approximately 9,300 inpatients, treating 35,000 emergency room encounters and performing 5,000 surgeries per year and providing jobs for approximately 1,340 employees and physicians.

### THE FACILITIES

The main Hospital building, located at 308 Willow Avenue, is a seven story structure, approximately 300,000 square feet. In addition to the main Hospital building, the Authority owns a 25,565 square foot Medical Clinic building located at 122-132 Clinton Street and a 5,300 square foot office building located at 4<sup>th</sup> Street and Willow Avenue.

### HUMC

HUMC operates a general acute care community hospital and a hospital-based ambulatory care facility called the Center for Family Health. HUMC is currently licensed to operate 364-licensed beds, as follows:

Medical/Surgical	218
Comprehensive Rehabilitation	30
OB/GYN	25
Pediatric	20
Adult ICU/CCU	16
Adult Open Psych.	30
Child/Adolescent Acute Psych.	19
Intermediate Bassinets	<u>6</u>
Total	364

### *Actions*

The Authority, pursuant to requirements established by the Local Finance Board (“LFB”) within New Jersey’s Department of Community Affairs, has taken the following actions:

- Adopted a management plan for HUMC, including monitoring and review methods of financial activities;
- Set minimum requirements for meetings of the Authority, and minimum attendance requirements for members;
- Established a formal mechanism for communication among the members of the Authority's board, hospital administrators and medical staff;
- Formed a finance committee, which is responsible for the oversight of the finances of the Authority, and delineated the duties and obligation of the finance committee; and
- Included provisions in the Manager's Contract, including the submission of an annual budget of HUMC and of the Manager, that were reviewed and approved by the LFB.

### ***Code of Conduct, Conflict of Interest Policy and Financial Disclosure Statement***

The Authority strives to maintain the highest ethical standards in all policies, procedures and programs and to avoid any conflicts of interest. The Conflict of Interest Policy is adopted under the Authority's Code of Conduct and applies to all board members and members of committees with board-delegated powers.

At least once each year, every Board member must accurately and fully complete a Financial Disclosure Statement. Failure to accurately and timely complete this Disclosure Statement will subject such Person to disciplinary and corrective action. By completing this Disclosure Statement, a board member notifies the Authority of all transactions or arrangements the board member has that present or may present a conflict of interest with the System.

## **MANAGEMENT**

### ***Manager Contract***

The Authority exercises its powers and duties to manage and operate HUMC through a contract or contracts with a manager, currently Hudson Healthcare, Inc. (the "Manager"), but the primary responsibility of operating the Hospital remains that of the Authority. The initial duration of the Manager's contract is five years, beginning on February 1, 2007. The Manager's contract contains one five year renewal after its initial term. The Manager's Contract provides that, in addition to other matters determined to be necessary by the Authority or as otherwise required by law or regulation:

- The Authority or its agents, and the City or its agents, have independent access to the books and records of the hospital at all times;
- The Governor of the State of New Jersey appoints an individual to serve on the board of directors of the Manager during the term of the Manager's Contract, including renewals; and

- Other than for routine, day-to-day business activities, the Authority has the final determination regarding the acquisition and disposition of assets, or the incurring of debt or expenses.

As part of the Manager's Contract, the Authority approves the individuals that the Manager proposes to designate as HUMC's chief executive officer and chief financial officer, and any change thereof and also approves contracts or other arrangement setting forth term and conditions of employment for those positions.

## Management Executives

### ***Harvey A. Holzberg, FACHE***

Harvey A. Holzberg is the President and Chief Executive Officer of Hoboken University Medical Center, as well as occupying the same positions, in the management firm, Hudson Healthcare, Inc. He is also the founder and Member of Harvey A. Holzberg, LLC which has a contract with Hudson Healthcare to provide his services. He has had a distinguished career in healthcare administration. From 1989 to 2004, he was President and Chief Executive Officer of Robert Wood Johnson University Hospital, the principal hospital of the University of Medicine and Dentistry of New Jersey-Robert Wood Johnson Medical School. He also served as President and CEO of the Robert Wood Johnson Health System and Network.

Prior to taking the helm at Robert Wood Johnson University Hospital, Mr. Holzberg was President and Chief Executive Officer of Jersey City Medical Center for six years, where he was instrumental in converting the medical center from a struggling public hospital to a financially sound, private not-for-profit institution. While there, he launched the Family Health Center, a Federally Qualified Health Center, offering a full range of health services to more than 20,000 patients a year. Before coming to Jersey City, he was Senior Vice President of Administration at Lutheran Medical Center in Brooklyn, New York, where he increased community access to quality health care by developing the Sunset Park Family Health Center, the largest of its kind in the country.

After serving four years in the United States Marine Corps, Mr. Holzberg earned a bachelor's degree from New York University – School of Commerce, Accounting and Finance, and a master's of business administration from Bernard Baruch School of the City University of New York.

He is a Fellow of the American College of Healthcare Executives and a former member of the Regional Policy Board of the American Hospital Association. As chair of the National Council of Teaching Hospitals, Mr. Holzberg serves on the Executive Council and Executive Committee of the Association of American Medical Colleges. He also serves as a member of the Board of Trustees of the New Jersey Council of Teaching Hospitals.

Mr. Holzberg is a former Chairman of the Board of the University of Medicine and Dentistry of New Jersey.

He is also a founder and past president of the National Association of Community Health Care Centers and a founder of the New York Association of Ambulatory Care Centers.

Mr. Holzberg is the recipient of many civic awards including:

- Good Guys Award, Women's Political Caucus of New Jersey
- Juvenile Diabetes Research Foundation
- Medical Executive Award, Academy of Medicine of New Jersey
- Community Leaders of Distinction, Middlesex county Regional Chamber of Commerce
- Israel Peace Medal, State of Israel Bonds
- Humanitarian of the Year, Hemophilia Association
- Regents Award, American College of Healthcare Executives
- Distinguished Service Award, Melvin H. Motolinsky Research Foundation
- Torch of Liberty, Anti-Defamation League

He is adjunct professor at UNDNJ-Robert Wood Johnson Medical School, Department of Environmental and Community Medicine. He has also been a member of the adjunct faculty of New York University and Manhattan College.

He and his wife, Janice Chiantese, have three children and six grandchildren.

### ***Ronald DiVito***

Ronald F. DiVito is the Executive Vice President and Chief Financial Officer of Hoboken University Medical Center, as well as occupying the same positions, in the management firm, Hudson Healthcare, Inc. He is also the founder and President of Medical Support Systems, Inc. which has a contract with Hudson Healthcare to provide his services. He has had extensive experience in the not-for-profit healthcare industry, including financial planning, operations and audits.

After Children's Hospital Mr. DiVito formed and was president of Medical Support Services Inc., which was incorporated in the State of Nevada as a vehicle for hospital consulting and ancillary medical support services to include: turn-key radiology services and other non acute support services. The consulting engagements included acute and tertiary teaching hospitals and other medical delivery systems and telemedicine subcontracting to the Veteran's Administration, Traditional Insurers, HMO's to include Empire Blue Cross, Aetna and U.S. Healthcare.

During the late 1980s, Mr. DiVito was President and Chief Executive Officer of Children's Hospital of New Jersey while it was part of United Hospital Medical Center, Newark, New Jersey. Today it is part of the St. Barnabas Healthcare System. When that hospital faced a financial crisis in 1985 and was threatened with closure because of an estimated \$23 million in losses, he initiated some similar changes which resulted in the dramatic financial recovery of the institution.

Prior to joining Children's Hospital, Mr. DiVito was Chief Financial Officer and Associate Executive Director of Finance for the Jersey City Medical Center. He joined that staff when the hospital was adjudicated as bankrupt, following a loss from operations of \$19 million. He implemented programs which resulted in the next year's audit showing an excess of revenues over expenses of \$2.3 million, and the following year an excess of \$8 million.



Mr. DiVito's educational background includes earning a B.A and an M.B.A. from Hofstra University, Hempstead, New York. Mr. DiVito and his wife, Connie, are the parents of four children and reside in New Jersey.

### **THE 2007 PROJECT**

On February 1, 2007, issued \$40,465,000 of City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A (Federally Taxable) (Convertible to Tax Exempt) (the "**2007A Bonds**") and \$11,170,000 of City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable) (the "**2007B Bonds**") and collectively with the 2007A Bonds, the "**Bonds**"). The purposes of the 2007A Bonds were to finance a project (the "**Initial Project**"), consisting of: (A) various capital improvements and the acquisition of fixed and major moveable equipment for hospital facilities previously owned and operated by St. Mary Hospital located at 308 Willow Avenue, Hoboken, New Jersey (the "**Hospital**"), (B) acquisition of various parcels of land and buildings , (C) construction of leasehold improvements to the ground floor of the garage facility owned by the City located at 4<sup>th</sup> Street and Willow Avenue, Hoboken, New Jersey, to be used for hospital office facilities, (D) capitalized interest for the 2007A Bonds, (E) a deposit to a debt service reserve fund for the 2007A Bonds, and (F) costs of issuing the 2007A Bonds. The purpose of the 2007B Bonds was to finance (A) \$5,000,000 of initial start-up working capital and \$5,000,000 of reserves for operation of the Hospital, (B) capitalized interest on the 2007B Bonds and (C) costs of issuing the 2007B Bonds.

The construction of the new emergency department is the most significant piece of the Initial Project. With the assistance of Wm. Blanchard Co., a well known construction management firm, the construction of the new emergency department is progressing on-schedule and on budget for a July 2009 opening.

### **THE 2008 PROJECT**

The Authority's fiscal year commences on January 1 and ends on December 31 of each year. The initial operating budget of the Authority for the period February 1, 2007 through December 31, 2007 (the initial fiscal year) projected operating expenses in the amount of \$125,957,686. Such initial operating budget reflected projected operating grants and subsidies ("State Support") from the State of New Jersey (the "State") in the amount of \$32.2 million (\$16.4 million for uncompensated care and \$15.8 million of Disproportionate Share Hospital (DSH) Funds) for the initial fiscal year in order to subsidize a portion of the operating expenses. The Authority's proposed operating budget of \$135,679,739 for its fiscal year 2008 further anticipates \$28.2 million of State Support. However, due to the severe financial condition of the State during its fiscal year ended June 30, 2008, the State has only been able to provide the Authority with \$9.1 million of State Support through June 30, 2008, the end of the State's current fiscal year. As a result of the foregoing, the Authority has expended the full amount of working capital and working capital reserves to offset the reduction in anticipated State Support, and current revenues are projected to be insufficient to meet ongoing monthly operating expenses. To provide some short term relief for operating expenses the State Department of Health and Senior Services has advanced \$4,000,000 to the Authority against its charity care payments, subsequently these funds have been earned. Further, the State has indicated that additional funds will be provided to the Authority; however the amount and the timing of the availability of such funds cannot be predicted.

Thus, the Authority is in need of operating funds. Inasmuch as the aggregate principal amount of the 2007 Bonds are just under the amount of the City Guaranty (\$52,000,000), which is

not subject to increase, the Authority has revised its need for certain projects (thus, deferring them) that were to be funded with the existing bonds, so as to free up some of those funds to defease existing debt and to issue bonds to refund several maturities of the taxable bonds and provide working capital in an amount that will keep the Authority's bonds within the \$52,000,000 limit of the City Guaranty.

## **CLINICAL SERVICES**

### ***Rehabilitation Medicine***

HUMC holds a certificate of need for the operation of 30 comprehensive rehabilitation beds, but is currently operating only 11 of those beds. The Rehabilitation Center at HUMC is staffed by renowned specialists in rehab medicine with a proven track record for excellence. Offering both inpatient and outpatient services, these specialists use a multidisciplinary approach to design a personal treatment program for each patient. Each team is lead by a psychiatrist — an expert in rehabilitation care — and may also include registered nurses and nursing assistants, dieticians, case managers/social workers, and physical, occupational, recreational and speech therapists.

HUMC's homelike inpatient unit features private rooms, as well as complimentary amenities including aromatherapy, guided imagery, foot baths and massages to relax the body and mind and promote healing. The ability to expand or reposition this excellent service affords HUMC with tremendous opportunities in the future. Accordingly, HUMC intends to expand this service to the community by entering into an Agreement with a specialized rehabilitation provider to assume the delivery of certain rehabilitation services.

### ***Family Medicine***

The Center for Family Health is a thriving family medical practice and teaching facility affiliated with HUMC and University of Medicine and Dentistry of New Jersey (UMDNJ). The Center offers a broad range of primary care and preventive services to babies, children, adolescents, adults and seniors as well as comprehensive women's health services. As the home of UMDNJ's Family Medicine Residency Program, patients benefit from having two doctors — a faculty physician and a family medicine resident — co-manage their care. Recognized for its academic, teaching and clinical excellence, physicians at the Center specialize in a number of areas including: Sports Medicine, Adolescent Medicine, Obesity, Geriatrics, HIV and Developmental Issues.

### ***Podiatry***

HUMC's Podiatry Division consists of experienced, highly trained foot and ankle surgeons who are the leaders in their fields. The Podiatry Staff supports a residency program in Podiatric Medicine and Surgery sponsored by HUMC that has been in existence for more than two decades and is widely considered one of the very best in the state. This involvement in educating tomorrow's premier foot and ankle surgeons keeps the Podiatry Staff on the cutting edge of new technologies and surgical techniques and assures that our patients receive the highest level of podiatric surgical care available anywhere. Many podiatric procedures can be performed as same day surgeries offering great convenience to our patients. The large number of active foot and ankle surgeons and their commitment to emergency service assures there is always a highly qualified surgeon available 24/7 for patients seeking care for foot or ankle trauma.

### ***Behavioral Health***

When it comes to behavioral health care, HUMC offers more extensive services than any other Hudson County provider. The HUMC staff includes highly rated specialists, including a nationally-recognized expert in psychiatry for seniors, with experience in treating all age groups, from children through adults.

### ***Cardio-pulmonary***

HUMC offers state-of-the-art cardiac rehabilitation. Staffed by trained specialists, The Anthony C. Corea Center for Cardiac Rehabilitation blends supervised exercise with nutrition counseling to set patients on a heart-healthy course for life. Whether recovering from a heart attack, open heart surgery, angioplasty, high blood pressure or diabetes, HUMC's staff of expert physiologists, registered cardiac rehab nurses and nutritionists will design an individual program in conjunction with the patient's doctor that complements individual needs.

### ***Children's Crisis Intervention Services***

The Children's Crisis Intervention Services (CCIS) is Hudson County's only inpatient psychiatric unit dedicated to providing thorough assessments for children and adolescents. HUMC serves children ages 5 to 17 in its 17-bed unit and provides short-term intensive treatment and stabilization to minors who are at risk of harming themselves or others. Using various psychiatric treatments such as group counseling, occupational therapy, art therapy and specialized groups on topics like substance abuse, patients are stabilized within the shortest period of time and prepared to return to their family/and or community. The staff on CCIS consists of professionals specially trained to deal with the needs of children and adolescents including psychiatrists, psychologists, psychiatric nurses, mental health workers, social workers, occupational therapists, adjunctive therapists, and special education/learning consultants.

### ***Children's Healthcare Center***

Through an innovative affiliation formed with St. Joseph's Children's Hospital in Paterson, one of the state's leading pediatric health care provider, HUMC delivers the best and most comprehensive scope of neonatal and pediatric services to Hudson County kids. This includes access to 200 pediatric physicians, board-certified in 24 subspecialties from asthma and allergy to cardiac surgery and orthopedics. Outpatient care equipped with advanced maternal and paternal technology including 4-D ultrasound, genetic testing and a Level II Nursery for at-risk infants. And telemedicine linking complex pediatric conditions to specialists at St. Joseph's and in some cases — St. Jude Children's Research Hospital — to examine, consult and diagnose an illness all in real time. Staffed by physicians from HUMC and St. Joseph's, the Children's Healthcare Center in Hoboken provides following pediatric specialties on an outpatient basis by appointment:

- Allergy/Immunology
- Cardiology
- Pulmonology
- Fetal Echocardiograms

- C.R.A.D.L.E Program (Center for Respiratory and Apnea Disorders)
- Gastroenterology
- Endocrinology
- Neurology

Inpatient care is available for children who need hospitalization. If Intensive Care is needed, St. Joseph's specially equipped Mobile Intensive Care Unit will transport the child and parents to their specialized hospital in Paterson.

### ***FAITH Services***

Founded in 1988, FAITH Services is the only HIV/AIDS dedicated agency in Hudson County. FAITH Services offers the most comprehensive services and assistance to individuals and their families affected by HIV/AIDS and clients can expect to receive compassionate care and referrals for programs including medical intervention, medication management, individual and group counseling, daily meals and financial assistance. Our case management program—the largest and most diversified provider of services for people infected and affected by HIV — serves more than 1,000 people a year.

### ***Pain Management***

HUMC's experienced doctors use advanced technologies and medications to eliminate even the most chronic pain. Led by a trio of noted anesthesiologists, the Pain Management Center includes an interdisciplinary team that will customize a personal pain management plan that's right for you. Our goal — to return you to your normal activities as quickly as possible.

### ***Pediatrics***

The ER can be a scary place to a child, which is why HUMC has expert ER pediatricians on-site 24/7. In addition, there's always a treatment room ready to handle emergencies for children under two. In addition to our emergency pediatricians, the HUMC staff includes some of the area's leading pediatricians and nurses specially trained to care for children. In fact, our pediatric nurses regularly rate above the national average for patient satisfaction. In our 20-bed inpatient unit, we practice high-tech medicine in an atmosphere designed to reduce anxiety in both children and their parents and promote healing.

### ***Perinatology***

The specialists at HUMC are recognized leaders in the care of pregnant women who are at risk for pre-term labor. These specialists, called perinatologists, use the latest technologies to help identify and treat fetal distress. In fact, our Perinatal Diagnostic Institute is the only hospital in Hudson County to have a 4D ultrasound on site. This advanced diagnostic testing allows doctors to observe your baby's health and movement and can identify women who may need Caesarean sections earlier in their labors. HUMC is also the only community hospital in New Jersey that is telemedically linked to some of the nation's leading medical centers. That means that HUMC's specialists can confer with other top specialists about a patient's care as tests are being performed.

The Perinatal Diagnostic Institute is part of the extensive line of services HUMC provides to pregnant women and new mothers, including childbirth education classes, beautifully-appointed

maternity suites, a Level II neonatal intensive care unit and 24/7 anesthesia, obstetrical and pediatric coverage.

### ***Pre-Admission Testing for Surgery***

Patients should not have to wait long for test results, and at HUMC, don't. HUMC's qualified technicians are on site 24/7 to handle and schedule emergency tests. Often, the patient's doctor will receive a report on a test the same day it is taken or the following morning.

### ***Surgical Services***

HUMC's surgeons are some of the most talented in the region — and in the State. In fact, one of HUMC's surgeons performed a groundbreaking laparoscopic spinal surgery that was the first of its kind in New Jersey. And HUMC's highly qualified surgical nurses include Hudson County's first RN to complete specialized training to assist surgeons. A key to HUMC's success is a commitment to keeping pace with advances in technology. HUMC offers state-of-the-art technologies such as lasers and laparoscopes that make surgery safer, quicker and less invasive. This means that patients are back on their feet faster.

### ***Wound Healing Center***

The Wound Healing Center at HUMC is Hudson County's first and best choice for comprehensive wound care. The Center offers an experienced team of highly qualified physicians and nurses, abreast of the latest medical techniques and advancements, personalized treatment plans, and an exceptional success rate that helps patients heal and get back to their day-to-day activities as quickly as possible.

### ***Women's Health***

HUMC offers the most comprehensive gynecological and obstetrical services in Hudson County. With outstanding physicians, high-tech diagnostics and amenities sure to make you feel at home, HUMC is the hospital of choice for expectant mothers. Our services begin with a full line of childbirth education classes to prepare you for the birth of your baby. In addition our expert physicians have access to high-tech diagnostic tools — including Hudson County's first 4D ultrasound — to ensure the health of you and your baby. Our maternity suites feature private rooms with exceptional amenities and HUMC is the only North Hudson hospital where there are leading obstetricians, anesthesiologists and pediatricians on site — not just on call — 24/7. Plus, HUMC offers a Level II neonatal nursery staffed by neonatologists and trained nurses who understand the specialized needs of high-risk newborns. Other services for women feature a full line of diagnostic testing including mammograms and high blood pressure screenings. HUMC also offers screenings and educational programs for women with breast cancer, those who are going through menopause and other conditions.

### ***Oncology***

At HUMC, patients are treated by top-notch oncologists and chemotherapy-certified nurses who specialize in oncology, urology and nephrology. The inpatient oncology unit is a model of high-tech-high touch care that combines the latest technology with a soothing, supportive environment.

Amenities include spacious living areas with comfortable overnight accommodations for family members. Outpatient services include chemotherapy, a cancer support group and an American Cancer Society program called “I Can Cope” that educates people about the physical and emotional effects of cancer. All HUMC cancer patients also have the option of taking part in complementary therapy workshops to reduce stress and promote well-being.

### ***Imaging***

At HUMC, sophisticated imaging technology backed by caring, highly skilled staff means that the community receives outstanding care. For screening or diagnosis, HUMC’s cutting edge equipment results in faster acquisition of images and greater accuracy in interpretation. Physicians and patients can place complete confidence in HUMC’s capabilities to aid in the diagnosis of medical conditions.

#### **Imaging Services:**

- Diagnostic Radiology (X-Ray)
- Computerized Tomography (CT)
- Magnetic Resonance Imaging (MRI)
- Vascular Imaging
- Ultrasound
- Mammography
- Bone Densitometry (Dexa-Scan)
- Nuclear Medicine/Nuclear Cardiology
- Interventional Radiology Procedures

The HUMC’s Imaging Department of Radiology is comprised of physicians, technologists, nurses, administrative coordinators, schedule coordinators, and receptionists who work together to provide a comprehensive array of diagnostic and therapeutic imaging services. Multilingual staff: Spanish, French, Dutch, Russian, Polish, Mandarin, Italian, Arabic, Tagalog, Portuguese, Hindi and Gujarati.

### ***Emergency Services***

HUMC’s new Emergency Room (ER), which should be considered the front door of the hospital, is currently under construction and scheduled to open in July 2009. It is expected that robust volumes (an additional 32,000 patients per year) will be realized once the new ER is complete. HUMC currently handles a range of emergency health services for chronic and acute medical problems, trauma, minor injuries and psychiatric disorders and offers a fast-track pediatric area, where children with minor injuries and illness don’t have to wait long to be seen. HUMC also maintains continuous links with the area’s regional trauma and burn centers.

## LICENSURES, ACCREDITATIONS, RECOGNITIONS AND MEMBERSHIPS

### Licensure

All of the healthcare facilities owned by the Authority and required to be licensed are licensed by the New Jersey Department of Health and Senior Services or the New Jersey Department of Human Services (as applicable), and are certified for Medicare and Medicaid reimbursement.

### Accreditations

Joint Commission Accreditation of Hospital Associations  
College of American Pathologists

### Memberships

Association of American Medical Colleges/College of Teaching Hospitals  
Greater New York Hospital Association  
American Hospital Association

## MEDICAL STAFF PROFILE

As of December 2007, HUMC had a total Medical Staff consisting of 406 active affiliated physicians with 366 private physicians and 40 faculty (employed) physicians. The Medical Staff is credentialed and is governed by Medical Staff's by-laws.

### HUMC Medical Staff

<u>Department</u>	<u>Total 2007 Attending</u>	<u>Average Age</u>	<u>% Board Certified</u>
Anesthesia	14	56	46%
Cardiovascular Services	13	51	69.2%
Dentistry	8	56	12.5%
Emergency Medicine	15	49	31.3%
Family Medicine	43	52	69.8%
Medicine	82	53	69.5%
Ob/Gyn	17	48	70.6%
Ophthalmology	12	53	58.3%
Orthopedics	8	48	70%
Pathology	3	62	66.7%
Pediatrics	62	51	22.6%
Psychiatry	12	53	49%
Radiology	39	49	90%
Rehab Medicine	11	46	91%
Surgery	67	48	22.4%
Total Active Attending	406		

**HUMC**  
**2007 Top Admitting Physicians by Specialty**

<b><u>Specialty</u></b>	<b><u>Physician</u></b>	<b><u>Status</u></b>	<b><u>Admissions</u></b>	<b><u>% Total Admissions</u></b>
Hematology/Oncology	Damle, V	Private Attending	34	.3%
Obstetrics/Gynecology	McQuilkin, G.	Private Attending	269	2.5%
Obstetrics/Gynecology	Nulifar, S.	Faculty	225	2.1%
Pediatric General	Moshet, O.	Private Attending	332	3.0%
Internal Medicine	Pinal, J.	Private Attending	448	4.1%
Psychiatry	Greenberg, R.	Private Attending	154	1.4%
Internal Medicine – FP	Gonzalez, F.	Private Attending	357	3.3%
Internal Medicine – FP	Jurado, J.	Private Attending	215	2.0%
Internal Medicine	Elias, S.	Private Attending	211	1.9%
Pediatric General	Akpalu, D.	Private Attending	354	3.3%
Sub Total			2,599	24.0%
Total Admissions			10,838	

**ACADEMIC AND CLINICAL AFFILIATIONS AND RELATIONSHIPS**

UMDNJ Family Practice Residency Program  
 Council on Podiatric Medical Education Surgical Podiatry Residency Program  
 University of Medicine and Dentistry of New Jersey  
 Center for Allied Health & Nursing Education  
 College of St. Elizabeth  
 Felician College  
 Rutgers College  
 Rutgers University  
 Philadelphia University  
 Columbia University  
 Dover Business College  
 Saint Peter's College  
 Bayonne Medical Center  
 Healthcare Training Institute  
 Temple University  
 Christ Hospital  
 St. Joseph's Hospital  
 Steven's Institute of Technology



## EMPLOYEES

All employees who work at HUMC are provided by the Manager, although they will be referred to herein as “HUMC Staff”. The HUMC Staff complement is as follows:

	Hospital Employees			Total Employees
	# of Full Time Employees	# of Part-Time Employees	# of Per Diem Employees	
Officials & Managers	84	8	0	92
Professionals	490	78	0	568
Technicians	135	35	19	189
Office & Clerical	179	30	0	209
Service Workers	209	45	28	282
Total	925	253	161	1,340

Compared to industry averages, HUMC has lower turnover and vacancy among its general and nursing staff. The Hospital total vacancy rate was 1.5% as of December 2007, compared with New Jersey Hospital Association averages of 4.46%. Nursing vacancy rates are 10% compared to the industry average of 18% and nursing turnover rate was 0.92% compared to industry average of 14% as per the American Health Care Association. The average length of employment among RNs at the Hospital is 11.03 years. The Manager has entered into collective bargaining agreements with the following unions: JNESO (nurses) and 1199J (professional service and maintenance).

## SERVICE AREA

### *Primary Service Area and Market Environment*

HUMC is located in a geographically and culturally unique location which significantly shapes the role it plays in delivering health care to its community. Hoboken is bound to the north by the Lincoln Tunnel, to the south by the railroad and the Holland Tunnel, to the west by the cliffs of the Palisades and the east by the Hudson River. These natural and man-made bafflers exert great influence on the reasons people choose to come to HUMC.

HUMC is one of six acute care hospitals in Hudson County. Founded in Hoboken in 1863, it is New Jersey's oldest continuing-service hospital. And although it has a very strong emotional association with the City of Hoboken, its Primary Service Area (PSA) also includes Union City, West New York, Weehawken, and North Bergen.

The HUMC PSA encompasses nearly 296,601 people, a population roughly equal to the size of Newark. Combined with a Secondary Service Area (SSA) population of 328,831, its total Community Service Area (CSA) is 625,432. The CSA population is expected to grow to 661,082 by 2010, a 5.7% increase.

HUMC's hometown of Hoboken consists of both "born and raised" (those with a multi-generational history in town) and "newcomer" populations (college-educated professionals under the age 40, young families who increasingly are staying in Hoboken to raise their children, and a growing number of well-educated middle-aged and older apartment dwellers). The population of Hoboken continues to grow dramatically owing to development throughout the city. During the 1990s the number of residents in Hoboken increased by more than 5,000 (a 16% increase reflecting a 14% increase in the number of housing units). City officials project Hoboken will add an additional 12,000 residents by 2010.

Nearby Union City is predominantly Latino. A generation ago it was overwhelmingly Cuban, but today Union City is inhabited, to an increasing degree; by Central American and South American immigrants, especially those recently arriving from Colombia, Ecuador, Peru, El Salvador and Guatemala.

In all, 59.8% of the PSA population served by HUMC is Latino.

HUMC is considered the community hospital of both Hoboken and Union City.

Demographic trends in the HUMC PSA are favorable with growth expected in most age groups, but especially in the 45-64 age group (21% between 2003-2010) — a population apt to need the services of HUMC for inpatient, outpatient and emergency care.

Affluent, active professionals and retirees seeking to be close to, but not within, New York City are also populating upscale housing in West New York and Weehawken.

In the Primary Service Area, HUMC (28% share) currently is one of two market leader providers with Palisades Medical Center (26%).

Approximately 32% of hospitalizations from the PSA consistently occur outside Hudson County each year totaling approximately 8,800 discharges. HUMC believes through planned expansion of key services it can capture some of these lost discharges.

Thus, the combination of population increases, significant growth in the 45-64 cohort, and the ability of a University Medical Center to capture a percentage of those who currently leave the PSA for health care, will lead to increased, not decreased, demand for services.

Young well-trained physicians seeking to quickly establish a practice within an urban lifestyle could be attracted to Hoboken and its community. If the community can attract non-physician "yuppies" with a little effort it can also attract physician "yuppies". A strategy of the new administration, will lead HUMC to seek out those physicians in the early-stages of their post-fellowship careers who wish to maintain an urban lifestyle as they serve the community. In time, these new recruits in concert with current medical leadership can become the prime providers and clinical leaders at HUMC.

### ***HUMC is a Safety Net Hospital for Hudson County***

Despite demographic trends which promise future growth, HUMC remains a safety net provider for thousands of uninsured and underinsured individuals.

HUMC was recently featured as one of seven in-depth case studies highlighted in a national report on safety net hospitals. The report, conducted by Georgetown University's Institute for Health Care Research and Policy, cited the prominent role HUMC plays in providing traditional charity care, and numerous other social and wraparound services as a safety net for poor elderly (more than a third of all senior households in the PSA are below the poverty line) and uninsured populations.

Noting that HUMC in recent years "has been under extraordinary financial pressure" the Georgetown study praised the hospital for continuing "to maintain its commitment to provide services to all needing them, regardless of ability to pay".

Aside from Jersey City Medical Center, the area's tertiary care facility, HUMC provides more services for the uninsured than any other area hospital.

As a significant and, in many cases, sole provider of safety net services (such as mental health/substance abuse, OB services, emergency department), HUMC plays an indispensable role in caring for the poor as defined by Medicaid, Charity and self-pay.

Uninsured patients are very limited in their access to primary care. HUMC provides the bulk of its primary care services through The Center for Family Health. Located a block away from the hospital, the Center services about 26,000 visits annually and has 24 full-time residents. Services include primary care, women's and children's services; diabetes and wound care and geriatric services. More than a third of its patients are uninsured, and another 30 percent have Medicaid coverage. Many others rely on the HUMC Emergency Department (ED). Over a third of the 31,537 patients seen in the ED are Medicaid insured and more than a third are uninsured.

More than 50 primary care doctors currently practicing in the PSA were trained at HUMC. If a municipal hospital was not established and affiliation with UMDNJ was severed, there would be a loss of 24 residents per year. These residency slots are owned by St. Mary Hospital and, according to Medicare regulations, are not transferable to another institution.

A host of other community-based programs provide critical services to frail elders, recent immigrants, people living with HIV, and other vulnerable populations.

### ***Competition***

There are currently 52 acute hospital(s) / health Systems in the state of New Jersey, six of which operate in Hudson County. Of the 52 health systems statewide 29 are losing money. In Hudson County, three hospitals (50%) are losing money and one is scheduled for closure in the near future.

In State fiscal year 2009 the state cut funding for uninsured patients to the hospital industry by approximately \$106,000,000. However as a designated safety net hospital HUMC funding was only marginally cut (\$1.8 million).

With the increased scrutiny being put on distressed hospitals by the state, anticipated further reductions in funding by both the state and the federal government, HUMC believes that its status as a recognized safety net hospital will help it thrive and expand.

## SOURCES OF PATIENT SERVICE REVENUE

<u>Net Patient Service Revenue</u>	<u>Percentage</u>	<u>2007 (000)</u>
Commercial	3.10%	\$2,670
Medicare	43.26%	37,290
Medicaid	11.39%	9,818
Blue Cross	10.54%	9,089
Managed Care	30.35%	26,164
Self Pay	<u>1.36%</u>	<u>1,176</u>
NPSR	100%	86,206
Other Revenue		
HSRF & Charity Fund		19,773
DSH Funding		12,158
Grants		3,016
Physician Income		1,319
All Other		<u>1,089</u>
Total Other Revenue		37,355
Total Revenue		<u>\$123,561</u>

## UTILIZATION STATISTICS

### HUMC Utilization Statistics

	2005	2006	2007	Jan – July 2007	Jan – July 2008
<b>Inpatient</b>					
Discharges	8,216	8,229	9,370	5,546	5,615
Days	43,758	46,356	52,858	31,269	31,601
Avg Length of Stay	5.3	5.6	5.6	5.6	5.6
<b>Newborns</b>					
Newborns	1,274	1,225	1,353	842	891
<b>Surgery</b>					
Inpatient Surgery	1,428	1,264	1,353	795	787
Same Day Surgery	6,117	7,068	3,922	3,535	3,812
Total Surgery	7,545	8,332	5,275	4,330	4,599
<b>Emergency Room</b>					
Emergency Treat and Release	27,336	25,413	25,743	14,765	16,175
Emergency Admissions	4,746	4,016	4,771	2,880	2,799
Total Emergency Room	33,170	26,179	30,818	17,645	18,974
% Admission	57.8	48.8	50.9%	51.9%	49.8%
<b>Outpatient Activity</b>					
Clinic	17,141	17,387	20,165	9,934	10,936
Radiology	28,991	29,421	30,682	15,522	15,818
Lab	37,381	36,408	37,381	18,600	19,713
Other	32,639	31,198	34,629	17,104	18,388

Source: Hudson Healthcare, Inc.

## ***Historical Financial Performance***

The schedule below is a summary of the Hospital's Revenues, Expenses and Changes in Net Assets for the eleven months ended December 31, 2007, and the seven (7) months ended July 31, 2008. Since 2007 was a start up year, there is no prior period comparison.

	11 months Ended 12/31/07*	7 months Ended 7/31/08**
Net patient service revenue, net of contractual adjustments	\$102,457,043	\$76,953,847
Provision for bad debts	<u>16,250,914</u>	<u>7,502,297</u>
Patient service revenue, net	86,206,129	69,451,550
Other operating revenue	37,355,571	15,136,426
Total operating revenues	123,561,700	84,587,976
Operating expenses:		
Management fees and other	<u>123,450,852</u>	<u>82,684,836</u>
Income from operations before depreciation	110,848	1,903,140
Depreciation and amortization	<u>4,129,834</u>	<u>2,495,013</u>
(LOSS) FROM OPERATIONS	(4,018,986)	(591,873)
Non operating income (expense), net	<u>39,157,350</u>	<u>1,077,666</u>
REVENUES OVER EXPENSES	35,138,364	485,793
NET ASSETS, BEGINNING OF PERIOD \$ -		
NET ASSETS, END OF PERIOD	\$ 35,138,364	\$35,624,157

Net patient service revenue, before the provision for bad debts, was approximately \$102.5 million for the period ended December 31, 2007. For The first 7 months of 2008 (period ended 7/31/08) net patient service revenue, before the provision for bad debts is approximately \$77.0 million.

The State of New Jersey has approved a supplemental Disproportionate Share payment to the Hospital of approximately \$15.2 million for state fiscal year 2009. Approximately \$7.6 million of the approved payment will be received and recorded as revenue in calendar year 2008.

The provision for bad debts was approximately \$16.3 million for 2007 and is currently estimated to be \$7.5 million for the first seven months of 2008.

Other operating revenue for 2007 was approximately \$37.4 million. Of this amount, \$32.1 million was from State and Federal subsidy payments intended to subsidize the revenue shortfall associated with the large number of indigent patients the Hospital treats each year. For the first seven months of 2008 other operating revenue is \$ 15.1 million of which approximately \$ 11.8 million comes from State and Federal subsidies.

Operating expenses for 2007 were approximately \$128 million. For the first seven months of 2008 operating expenses are approximately \$85.2 million.

Non-operating income was approximately \$39.2 million in 2007; the majority of this amount is attributed to the contribution of the assets of St. Mary Hospital and \$13 Million from Bon Secours Health System. Thus, resulting in total net assets for the period ended December 31, 2007 was approximately \$35.1 million.

\* Source: Authority Audit – See Appendix C of the Official Statement

\*\* Source: Unaudited information provided by the Manager

Non-operating income YTD 2008 is approximately \$1.1 million. Total net assets for the period ended July 31, 2008 is approximately \$35.6 million.

### Summary of Sources of Revenue

The main source of revenue for the Authority is patient services. This revenue is received primarily from third party payers, including the Federal Government under the Medicare program, the New Jersey Division of Health and Human Services under the Medicaid program, managed care contracts and other commercial insurance carriers. The principal sources of gross patient service revenue for the Authority for the eleven months ended December 31, 2007 and seven (7) months ending July 31, 2008 are shown below:

	2007	2008
Medicare	38.7 %	41.4%
Managed Care	22.4	21.0
Medicaid	11.7	11.4
Blue Cross	10.6	11.8
Commercial	1.1	1.0
Self Pay/Charity/Other	15.5	13.4
Total	100.0%	100.0%

### Budget Comparison

The following schedule presents a comparison of actual results to the budget for seven months ended July 31, 2008.

	<u>Actual*</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Operating revenues	<u>\$84,587,976</u>	<u>\$80,336,248</u>	<u>\$4,251,728</u>
Appropriations:			
Other expenses	175,525	174,590	(935)
Cost of providing services	<u>82,509,311</u>	<u>78,311,169</u>	<u>(4,198,142)</u>
Total Operating Expenses	82,684,836	78,485,759	(4,199,077)
Income from Operations before Depreciation & Amortization	1,903,140	1,850,489	52,651
Depreciation & Amortization	<u>2,495,013</u>	<u>438,969</u>	<u>(2,056,044)</u>
Income / (Loss) from Operations	<u>(591,873)</u>	<u>1,411,520</u>	<u>(2,003,393)</u>
Non Operating Revenues (Expenses)			
Interest Expense	(1,242,203)	(1,349,773)	107,570
Interest Earnings	319,869	1,047,541	(727,672)
Foundation Donation	<u>2,000,000</u>	<u>0</u>	<u>2,000,000</u>
Total Margin Available for Funding Trust Accounts	\$485,793	\$1,109,288	(\$623,495)

**\*Source: Unaudited financial information provided by the Manager.**

## **Management's Discussion of Financial Performance and Utilization**

The following discussion and analysis presents selected highlights of Hoboken Municipal Hospital Authority financial activities and financial position. The analysis focuses on significant financial issues and major financial activities and the resulting changes in financial position, as well as comparisons to the Board approved budget.

### **Hospital Highlights**

- In 2006, the City of Hoboken was in danger of losing its only hospital. Mounting losses threatened to close the hospital which was then named Saint Mary Hospital and was owned by Bon Secours Health System. In response the City formed the Hoboken Municipal Hospital Authority (HMHA) and obtained the hospital from Bon Secours Health System. The hospital was renamed Hoboken University Medical Center (HUMC) and started doing business as such on February 1, 2007. Simultaneously the HMHA entered into a "Master Manager and Operator Agreement" with Hudson Healthcare, Inc., a New Jersey not-for-profit 501(c)(3) organization. Hudson Healthcare performs all the duties necessary to direct and control the day-to-day operations of the facility. A key responsibility of Hudson Healthcare, Inc. is to provide management services to the hospital, including the services of a CEO, Harvey Holzberg and a CFO, Ronald Divito. Hudson Healthcare provides those services through consulting arrangements.

- The Authority issued Series 2007A Bonds of \$40,465,000 for construction, renovation and improvement of facilities and Series 2007B Bonds of \$11,170,000 for working capital purposes and operating reserves.

- Hudson Healthcare developed a five year feasibility program pursuant to which Hudson Healthcare intended to manage and operate Hoboken University Medical Center. This feasibility plan provided the planning necessary to issue a \$52 Million Dollar Bond for the hospital's new construction and the renovation projects, as well as working capital. This bond issue was recognized by the Small Bond Magazine as the Northeast Region Winner for its creative financing.

- Although the former owner of the hospital, Bon Secours Health System, Inc., having incurred losses nearing \$26 Million Dollars per year, Hoboken University Medical Center completed its first year of operations with a \$2 Million Dollar operating margin. Hudson Healthcare, as the manager and operator, achieved that by aligning physician requirements with the hospital objectives, reducing average length of stay by one-half day, renegotiating contracts and improving quality. For these accomplishments, Hoboken University Medical Center was selected as Healthcare Hero of the Year for 2008 by New Jersey Business Magazine.

- In 2007 the Hospital experienced significant increases in volume in all areas of service when compared to the 2006. Both inpatient and outpatient volumes exceeded the prior period by 13% and 22% respectively. Also surgical cases and newborn deliveries also exceeded the prior period by 25% and 20% respectively. This statistical trend continues in 2008 with inpatient and outpatient volumes exceeding last year by 2% and 7 % respectively. Additionally in 2008 total surgical cases and newborn deliveries exceed 2007 by 13% and 8% respectively.

- In 2007 the Hospital broke ground on a construction project which when completed will feature a state of the art 20,000 square foot Emergency Department. As of August 1, 2008, the

Hospital anticipates the new Emergency Department to open by July 1, 2009. This is expected to generate an increase in Net Patient Service Revenue of 15% for the first full year of operations.

- The Hospital purchased and installed a PACS (Picture Archiving and Communication System) for radiological procedures in 2007.

- In addition to the PACS system the hospital has spent approximately \$6.0 million in capital upgrades on new medical equipment and Technology.

### ***Cash and Restricted Investments***

At June 30, 2008, cash and equivalents of the Authority consisted of the following:

Demand & Money Market Accounts..... \$ 36,536,121\*

\* Source: Unaudited financial information provided by the Manager.

### **FUTURE PLANS**

The Hospital plans to expand several programs for which the community has demonstrated need. The expansion plan includes but is not limited too the following areas and services:

- In July 2009 the hospital plans to open a new 20,000 square foot state of the art Emergency Department. It is anticipated that this new Department will generate an increase in Net Patient Service of approximately 15% in its first full year of operations.
- Construction of 7 new Labor and Delivery rooms along with new Maternal Fetal suites.
- Expansion of Orthopedic Surgery Services
- The operational expansion of Acute Medical Rehabilitation services
- Expansion of Vascular Surgery services

Additionally, the hospital plans to issue a request for proposals (“RFP”) with regard to an on-site expansion of inpatient rehabilitation program. As currently envisioned, the RFP will seek an experienced provider of inpatient comprehensive rehabilitation to develop facilities on-site for the operation of 30 inpatient comprehensive rehabilitation beds. The 30-bed unit that is envisioned would be operated by and in the name of an experienced inpatient comprehensive rehabilitation provider, and that provider would pay the Authority rent.

### **INSURANCE**

The Hospital Authority maintains an internal risk management program and carries claims-made malpractice insurance coverage. The Hospital Authority has estimated a range of losses for its potential liability for malpractice claims based on its own past experience and industry experience data. These estimates include reserves for unreported incidents and losses.



## **PENSIONS**

Eligible employees of Hudson Healthcare Inc. may enroll in the Hudson University Medical Center 401(k) Plan. Initial eligibility requires the completion of three months service and a minimum number of hours of service. The Plan permits the deferral of income taxes on the amounts of salaries contributed to the Plan pursuant to individual Salary Reduction Agreements. Plan contributions and the earnings thereon accumulate free of income taxes. Each participant directs the investment of funds in his/her account, from a menu of investment options offered by the Trustee. Taxes are generally due on 401(k) plan balances when withdrawn or required to be withdrawn.

### **The Hoboken University Medical Center Foundation**

The Hoboken Municipal Hospital Authority authorized Hudson in September 2007 to render assistance to The Hoboken University Medical Center by operating as the Foundation for Hoboken University Medical Center d/b/a The Hoboken University Medical Center Foundation. Recently, the Authority, as the successor organization to the Bon Secours Health Systems Inc. Foundation received approximately \$2.4 million in assets. Substantially all of those assets have been transferred to the new Hoboken University Medical Center Foundation. The new Hoboken University Medical Center Foundation will have assets of \$2.4 million including \$1million in restricted funds for the construction of the new Emergency Department.

The activities of the Foundation are conducted by the Vice President for Development in cooperation with the Board of Trustees, a volunteer body of recognized community and business leaders.

The Foundation plans and implements a comprehensive fundraising program including the solicitation of major, capital, and annual gifts from individuals, corporations and foundations. A series of charitable events are held annually to provide support for Hospital facilities and programs. Donors are stewarded and encouraged to explore opportunities to expand their support through bequests and other planned giving vehicles that have a lasting impact on providing superior medical care.

Foundation events and activities are focused on creating a culture of philanthropy that provides sustainable support to offer patients access to the latest advances in healthcare.

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## **APPENDIX B**

### **GENERAL INFORMATION CONCERNING THE CITY OF HOBOKEN**

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## **APPENDIX B GENERAL INFORMATION CONCERNING THE CITY OF HOBOKEN**

### **General Background**

Located on the Hudson River opposite midtown Manhattan, Hoboken has many important transportation facilities. NJ Transit commuter lines serving North Jersey, Central New Jersey and the Jersey Shore terminate at the Hoboken Terminal where the PATH subway brings commuters directly to downtown and midtown Manhattan. Ferry service is also available from the Hoboken Terminal to the World Financial Center in Manhattan. Numerous bus lines also service Hudson County and New York City from Hoboken Terminals. Hoboken is also adjacent to both the Holland and Lincoln Tunnels.

Adequate facilities are provided for the operation of school, fire and police services. The City-owned water system is operated, maintained and managed by United Water, Inc. Sewage treatment is provided by the North Hudson Sewerage Authority.

A turnabout dramatic enough to be called a renaissance began in the early 1970's when the Model Cities and Community Development Block Grant Programs initiated the rehabilitation of many tenements as well as the conversion of the Keuffel and Esser factory into housing, the first such adaptive reuse for family housing. At the same time, the City began to draw new residents, many of them artists and professionals attracted by Hoboken's proximity to New York and its Victorian architecture and small-town "livability."

Today, the renaissance continues, and Hoboken is now at the geographical center of the revitalization of the Hudson River's West Bank. Change has brought the City new priorities, among them affordable housing, the development of the waterfront and the expansion of the commercial and industrial base.

### **Government**

The City of Hoboken, incorporated as a city in 1855, currently operates under a Mayor/Council form of government adapted by the electorate referendum held in November 1952.

The legislative power of the City is vested in the Municipal Council (the "Council") which is composed of nine members, six of whom are elected from the City's six wards and three of whom are elected at large. The Council meets regularly and operates in accordance with the Optional Municipal Form of Government, N.J.S.A. 40:69A-1 et seq. The Council members serve for terms of four years beginning on the first day of July following their election. The current term for Council members elected at large commenced on July 1, 2001. The current term for Council members elected by ward commenced on July 1, 1999.

The executive power of the City is exercised by the Mayor, who is responsible for administering the charter and ordinances and general laws of the City. The Mayor supervises all of the departments in the City and reports annually, to the Council and the public, the results of the previous year's operations. The Mayor has the power to approve ordinances adopted by the Council or to return them to the Council with a statement of his objections. A vote by two-thirds of the members of the Council may override the Mayor's veto. The Mayor may attend meetings of the Council and may take part in discussions. The Mayor has no vote in the proceedings of the Council

except to fill a vacancy in the Council in which he may cast the deciding vote. The Mayor appoints the Business Administrator and the Directors of the City departments with the advice and consent of the Council. The City currently has three departments: The Department of Administration, the Department of Environmental Services, and the Department of Human Services.

The City provides a wide array of public safety, health, social and recreational services. See the section entitled "Services" herein.

## **School System**

The City's school district, coterminous with the City, is a Type II school district, an independent legal entity administered by a nine member Board of Education elected by the voters of the school district. The school district is not part of any regional or consolidated school district, and neither receives nor sends students, except for a limited number of special education students. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. The school system is comprised of three elementary schools, two middle schools, and one high school.

Hoboken is the home of two Charter Schools, the Elysian Charter School and the Hoboken Charter School. The Elysian Charter School serves grades K-8 and opened its doors in September, 1997. The Hoboken Charter School serves grades pre K-12 and opened in September 1998. Charter Schools are funded with public money. They charge no tuition and are open to children in the Hoboken School District selected by lottery. Charter Schools, which are created and operated by parents, teachers and community groups, offer alternatives to traditional education and are designed around a specific theme or educational approach.

## **SERVICES**

### **Police**

The Police Division consists of approximately 165 police officers and 8 civilians who operate a modern police facility for the protection of the local citizens. The Police Division uses approximately 40 cars and 12 vehicles to patrol the City.

### **Fire**

The Fire Division consists of approximately 113 fire fighters and 8 civilians. The emergency vehicles consist of 6 pumpers, 3 trucks with 100 foot aerial ladders, 4 vans, 3 cars, and one rescue vehicle which are distributed among 4 fire stations.

During the past several years, the Hoboken Fire Division has undergone a major restructuring. In addition to upgrading its fire apparatus, the City began a new emphasis on advanced training. These efforts enables the City to establish Rescue One, a specially trained group of fire fighters certified as High Angle Rescue Teams, First Responders and CPR trained officers. The unit in addition to responding to fires, will provide an immediate response to all life threatening accidents, extrications and rescue situations.

## **Garbage Collection**

Garbage collection in the densely populated City of Hoboken is picked up four days per week. Separate picks ups for recycling mixed paper, and glass and bottles are each picked up once a week, and metal appliances and metal furniture is picked up twice a week.

## **Park System**

The City's park system consists of five major parks, Elysian Park, site of the first organized baseball game on June 19, 1846, Stevens Park, Church Square Park, Sinatra Park and Pier A Park. There is also a waterfront park adjacent to the historic Eric Lackawanna Railroad Terminal, a terminal which services 75,000 commuters daily. The County of Hudson maintains Columbus Park. The Board of Education owns and maintains John F. Kennedy Stadium, which is the site of community recreation and local high school sports.

The City of Hoboken has implemented several capital projects to improve certain parks within the City. Most recently, the City has added Madison Park, Multi Service Center Park, Jackson Street Park and Castle Pointe Park to its park inventory.

## **Cultural Affairs**

The City has established a Division of Cultural Affairs which organizes and promotes numerous cultural events which enhance the artistic atmosphere of the City, most notably the spring and Fall Art and Music Festivals. Corporate and Private donations support the Majority of funding for this division.

## **Recreation**

The City's Division of Recreation organizes leagues for various sports available to the boys and girls of the City, and also sponsors several leagues and events for adults.

## **Public Library**

The Hoboken Public Library is centrally located at 5<sup>th</sup> Street and Park Avenue in an historic building. The library a variety of services to the public including an extensive collection of books on Hoboken history and Frank Sinatra, novels, fiction, biographies, history, art, literature, mysteries, science fiction, subscriptions to over 100 magazines, language instruction tapes and an excellent reference section. It also offers books on tape and has a large selection of audio compact discs. Several programs are available for children's education and entertainment.

The Hoboken Public Library also offers patrons the use of computers which are equipped with Microsoft Office, which includes popular software programs including Microsoft Word, Access, Excel, Publisher and PowerPoint.

Free internet access is available for use by patrons with a minimal printing charge. The popular Web Browser "Netscape" allows users to visit the millions of web sites on the World Wide Web, subject to certain rules.

## **Transportation**

The City of Hoboken operates a Cross Town Bus Line as well as bus service for senior citizens and a medical transportation program for senior citizens and handicapped persons. In 2002 the Hudson-Bergen Light Rail System operated by New Jersey Transit was extended from Jersey City and currently terminates at the Hoboken Train Station allowing connections with path and commuter bus and rail lines. The system to connect North Hudson and Bergen County is presently under construction.

## **Hispanic and Minority Affairs**

The Division of Hispanic and Minority Affairs promotes cultural and civic activities in Hoboken which are designed to showcase the heritage, pride and uniqueness which each segment of a particular nationality contributes to the City.

## **Constituent Services**

The Division of Constituent Services provides an outlet for citizens to express their concerns and have them addressed.

## **Health**

The Office of the Health Officer and the Office of Inspection work progressively to meet the needs of public health by inspecting retail food and liquor establishments, pools, gyms, tanning salons, hair and nail salons, camps, schools and properties.

The Hoboken Health Center offers privatized affordable primary care for the whole family through the North Hudson Community Action Corporation under the direct supervision of the Hoboken Division of Health.

Hoboken is also home to Hoboken University Medical Center, formerly St. Mary Hospital, the oldest hospital in New Jersey, located at Fourth Street and Willow Avenue. Prior to its acquisition in 2007 by the Hoboken Municipal Hospital Authority (the "Authority"), St. Mary Hospital was affiliated with Bon Secours New Jersey. In 2006, the City of Hoboken formed the Hoboken Municipal Hospital Authority and in 2007, acquired the hospital and renamed it Hoboken University Medical Center ("HUMC"). HUMC, which is managed by Hudson, Healthcare Inc, a New Jersey not-for-profit organization. Hoboken University Medical Center, is a full service hospital that serves the residents of Hoboken, Weehawken, Union City, and parts of Jersey City. Ambulance service to the hospital is provided by the Hoboken Ambulance Corps. The City of Hoboken guarantees a portion of the debt of the Authority.

## **Other Services Provided by the City**

Many other services are provided by the City including, but not limited to Zoning & Planning, Rent Leveling & Stabilization, Community Development, Construction Code, and Housing Inspection.



## Utilities

Public Service Electric and Gas Company provides gas and electric service in Hoboken, and Verizon provides telephone service. Riverview Cablevision services Hoboken with cable television.

The City's water operations are managed by United Water, Inc. and its sewer operations are managed by the North Hudson Sewerage Authority. The City's Water Utility Fund revenues consist of a residual amount of water rents and bank interest which are offset by the salary expenses for one employee. The City's Sewer Utility Fund revenues consist of bank interest. The City's Sewer Utility Fund has no expenses.

On October 16, 2002, the City adopted an ordinance authorizing the operation of the Parking System as a Municipal Public Utility, to be designated as the City of Hoboken Parking Utility (the "Parking Utility"). Revenues and expenses of the Parking Utility will initially consist of the revenues and expenses of the Parking Authority. Significant revenues include garage parking fees, on and off street parking fees, business and residential permits, towing and administrative fees, park 'n shop coupons and merchant fees. The most significant items of expense include garage management fees, utilities, salaries and fringes and insurance.

### **CITY OF HOBOKEN DEMOGRAPHIC INFORMATION**

#### **POPULATION OF THE CITY OF HOBOKEN Resident Population**

	<u><b>1960</b></u>	<u><b>1970</b></u>	<u><b>1980</b></u>	<u><b>1990</b></u>	<u><b>2000</b></u>
Hoboken	48,441	45,380	42,460	33,397	38,577
County of Hudson	610,734	609,266	556,972	553,099	608,975
State of New Jersey	6,066,782	7,168,164	7,364,823	7,747,750	8,414,350

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Source: New Jersey Department of Labor

### **CITY OF HOBOKEN EMPLOYMENT INFORMATION**

	<u><b>Labor Force</b></u>	<u><b>Employment</b></u>	<u><b>Unemployment</b></u>	<u><b>Rate</b></u>
Hoboken - 2002	20,650	19,476	1,174	5.7
County of Hudson – 2008	292,700	275,700	17,000	5.8
State of New Jersey - 2008	4,481,700	4,250,900	230,800	5.1

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Source: U.S. Bureau of Labor Statistics

**LARGEST TAXPAYERS  
CITY OF HOBOKEN  
BASED UPON 2008 ASSESSED VALUATION**

<u>Block</u>	<u>Lot</u>	<u>Address</u>	<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessed Valuation</u>
125	1		Block 268 LLC	Apartment	30,989,800
175	1	77 Park Avenue	ASN Hoboken	Apartment	29,800,000
263.2	1	2 Fourteenth St	Sovereign Limited	Apartment	28,317,500
2	1		BIT Investment	Apartment	23,000,000
262.6	2	1201-1333 Hudson	Machine Shop Associates	Apartment	18,116,700
255	4.03	1406 Bloomfield	Block 255 LLC	Apartment	17,700,000
262.5	1 N	1 Independence Crt	North Independence	Apartment	17,575,000
24	1		PT Maxwell	Vacant Land	17,432,800
115	1	1300-1324 Clinton	Metro at Hoboken	Offices	16,051,200
89	1	801 Madison St.	CPT Courtyard	Apartment	15,555,600
TOTAL					\$214,538,600

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Source: Office of the Assessor, City of Hoboken

**CITY OF HOBOKEN  
TREND OF NET ASSESSED VALUATIONS  
BY CLASSIFICATIONS OF REAL ESTATE**

<b><u>Classification</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>Residential</b>	\$1,875,359,700	\$1,788,136,500	\$1,588,634,900	\$1,428,898,300	\$1,335,129,500
<b>Commercial</b>	475,425,100	480,042,500	464,629,900	467,483,400	470,130,400
<b>Industrial</b>	45,659,400	46,940,600	52,450,400	65,272,700	66,671,500
<b>Apartments</b>	360,566,700	348,108,400	420,345,800	424,402,600	424,417,200
<b>Vacant/Undeveloped</b>	<u>60,492,100</u>	<u>58,412,900</u>	<u>53,724,200</u>	<u>39,788,400</u>	<u>42,818,300</u>
<b>Total</b>	\$2,817,503,000	\$2,721,640,900	\$2,579,785,200	2,425,845,400	2,339,166,900
<b>Personal Property</b>					
<b>Other</b>	<u>1,295,604</u>	<u>1,399,918</u>	<u>1,652,195</u>	<u>1,859,462</u>	<u>2,041,316</u>
<b>Total</b>	<u>\$2,818,798,604</u>	<u>\$2,723,040,818</u>	<u>\$2,581,437,395</u>	<u>\$2,427,704,862</u>	<u>\$2,341,208,216</u>

Source: Office of the Assessor, City of Hoboken

**CITY OF HOBOKEN**  
**GENERAL TAX RATE - FIVE YEAR COMPARATIVE**  
(Per \$100 of Assessed Valuation)

<i>Fiscal Year</i>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Tax Rate:</b>					
County	\$1.187	\$1.210	\$1.220	1.205	1.257
Type I School D/S	.0	.0	.0	0	0
School	1.21	1.221	1.211	1.207	1.201
Municipal	1.063	.976	.832	.783	.784
Open Space	<u>.030</u>	<u>.027</u>	<u>.024</u>	<u>.021</u>	<u>0</u>
<b>Total General Tax Rate</b>	<b><u>\$3.490</u></b>	<b><u>\$3.434</u></b>	<b><u>\$3.287</u></b>	<b><u>3.216</u></b>	<b><u>3.242</u></b>

Source: Office of the Assessor, City of Hoboken

**TAX LEVY AND TAX COLLECTION**

<i>Fiscal Year</i>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Tax Levy</b>	<b>\$101,453,771</b>	<b>\$88,865,063</b>	<b>\$82,598,886</b>	<b>\$80064,039</b>	<b>\$77,455,016</b>
<b>Cash Collection</b>	<b>101,207,378</b>	<b>82,556,422</b>	<b>82,556,422</b>	<b>79,981,446</b>	<b>77,421,8175</b>
<b>Percentage</b>	<b>99.91%</b>	<b>99.95%</b>	<b>99.95%</b>	<b>99.90%</b>	<b>99.90%</b>

Source: Office of the Tax Collector, City of Hoboken

**DELINQUENT TAXES AND TAX TITLE LIENS EXPERIENCE**

Year	Tax Title Liens	Delinquent Taxes	Total Delinquent	% of Tax Levy
2007	469,752	\$41,168	\$513,252	51.09%
2006	453,254	\$3,292	\$456,546	0.51%
2005	436,939	\$52,779	\$461,634	0.58%
2004	\$408,855	\$52,779	\$461,634	0.58%
2003	392,961	\$2,429	\$395,390	0.51%

Based on the City of Hoboken's Fiscal Year.

# **STATUTORY DEBT**

**AS OF JUNE 30, 2008**

	<b>Balance June 30, 2008</b>	<b>Deductions</b>	<b>Net Debt</b>
<b>Gross debt:</b>			
<b>Local school district debt:</b>			
		<b>\$1,553,098,3</b>	
<b>Type II loans issued</b>	<b>\$1,553,098.38</b>	<b>8</b>	<b>\$ -</b>
<b>Type II bonds issued</b>			<b>-</b>
<b>Total local school district debt</b>			<b>-</b>
	<b>1,553,098.38</b>	<b>1,553,098.38</b>	
<b>General debt:</b>			
<b>Bonds issued</b>	<b>107,632,000</b>	<b>56,707,442</b>	<b>50,924,558</b>
<b>Bond anticipation notes issued</b>	<b>17,200,0000</b>		<b>17,200,000</b>
<b>Loans payable</b>	<b>1,901,717</b>		<b>1,901,717</b>
	<b>20,639503</b>	<b>20,000,000</b>	<b>639,503</b>
<b>General debt authorized but not issued by the City</b>			
	<b>147,343,705.0</b>		
<b>Total general debt</b>	<b>0</b>	<b>76,707,442</b>	<b>70,636,263</b>
<b>Parking Utility:</b>			
<b>Bonds issued</b>	<b>21,950,000</b>	<b>21,950,000</b>	<b>-</b>
<b>Bond anticipation notes issued</b>	<b>4,800,000</b>	<b>4,800,000</b>	<b>-</b>
<b>Total Parking Utility</b>	<b>26,750,000</b>	<b>26,750,000</b>	<b>-</b>
<b>Total Gross Debt</b>	<b>175,646,803</b>		
		<b>\$105,010,54</b>	
<b>Total Deductions</b>		<b>0</b>	
<b>Total Net Debt</b>			<b>\$70,636,263</b>

**CITY OF HOBOKEN  
COUNTY OF HUDSON, NEW JERSEY  
REMAINING STATUTORY BORROWING POWER  
AS OF JUNE 30, 2008**

Statutory Equalized Valuation (1)	\$8,048,422,679
Statutory Borrowing Power (2)	281,694,793
Statutory Net Debt	70,636,263
Remaining Statutory Borrowing Power	211,058,530
Net Debt to Equalized Valuation	.878

- (1) Average of the immediately preceding three years (2005, 2006, 2007)  
(2) 3 ½% of the Equalized Valuation as determined by the State.

Gross Debt is the total financial obligation of the Municipality and its Subdivisions. Statutory Deductions determine the Borrowing Power and Statutory Net Debt under the Laws of the State of New Jersey.

Source: Information compiled from various accounting and permanent records of the City of Hoboken.

**CITY OF HOBOKEN  
IN THE COUNTY OF HUDSON, NEW JERSEY  
OVERLAPPING DEBT  
AS OF JUNE 30, 2008**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b>Municipal Debt</b>			
School Purposes	\$1,553,099	\$1,553,099	\$0
Self-Liquidating Purposes	27,750,000	26,750,000	-0-
Other Purposes	<u>147,343,705</u>	76,707,442	70,636,263
<b>Total Municipal Debt</b>	<b>175,646,803</b>	<b>105,010,540</b>	<b>70,636,263</b>
<b>Overlapping Debt Apportioned to the City of Hoboken (1)</b>	<b>30,146,535</b>	<b>4,763,152.66</b>	<b>25,383,382.34</b>
<b>Total Municipal Debt Including Apportioned Overlapping Debt</b>	<b>\$205,793,338</b>	<b>\$109,773,692</b>	<b>\$96,019,646.00</b>

- (1) The County of Hudson's NET Debt as of December 31, 2007 was \$190,800,860. The City's share (15.80%) is based on County Equalized Valuation for Hoboken (\$7,090,692,279) divided by that for Hudson County (\$44,869,748,612,).

## **TAX COLLECTION PROCEDURE**

Property taxes are based on the assessor's valuation of real property and are levied for the calendar year. The taxes for City, Local School District, and County purposes are combined into one levy which is apportioned on the tax bill by rate and amount for taxpayer information only. Taxes levied for the purposes of the Local School District cover the current calendar year. Turnovers by the City to the Board of Education are based on school needs and are generally made on a periodic basis throughout the year. The City remits County Taxes quarterly, on the 15<sup>th</sup> days of February, May, August and November.

Tax bills for the second half of the current years levy and an estimate, based on 50% of the levy for the first half of the following year, are mailed annually in June and are due in quarterly installments on the first day of the following months of August, November, February and May. Delinquent payments are subject to an interest penalty of 8% on the first \$1,500 of delinquency and 18% on amounts exceeding \$1,500. Unpaid taxes are subject to tax sale, in accordance with statutes of the State of New Jersey. Tax liens are subsequently subject to foreclosure proceedings in order to enforce tax collections or acquire title to the property.

## **RELATED OBLIGATIONS**

### **North Hudson Sewerage Authority**

The North Hudson Sewerage Authority (the "NHSA"), a political subdivision and a public body corporate and politic of the State of New Jersey, was created through a consolidation of the Hoboken – Union City – Weehawken Sewerage Authority (the "HUCWSA") and the West New York Municipal Utilities Authority (the "WNYMUA") in October, 1996.

HUCWSA was created upon the Local Finance Board approval of application by the City of Hoboken in November, 1987. HUCWSA was created pursuant to the New Jersey Sewerage Authorities Law, ch. 138, L. 1946 (N.J.S. 40A:40:14A-1 *et seq.*) (the "Act") as the Hoboken Union City – Weehawken Sewerage Authority by parallel ordinances of the City of Hoboken, the City of Union City, and the Township of Weehawken, dated January 6, 1988, February 16, 1988 and December 15, 1988, respectively. Such ordinances were filed with the Secretary of State on January 11, 1989. HUCWSA was created for the purpose of, among other things, acquiring, constructing, maintaining and operating facilities for the treatment, purification or disposal of sewage or other waste.

During October, 1996, HUCWSA acquired the WNYMUA, and together, these entities were consolidated to create the North Hudson Sewerage Authority (NHSA). The acquisition was executed through the issuance and sale of \$104,945,000 Sewer Revenue Notes, Series 1996, issued by the NHSA on October 15, 1996, and delivered on October 31, 1996.

In connection with the creation of the NHSA, a new service agreement between the City (together with the Hudson County municipalities of West New York, Union City and Weehawken) and the NHSA (the "Service Agreement") was executed. The related obligation of the City with respect to the current services agreement pertains to service charges and annual charges, as described below.

## **Service Charges**

The NHSA will charge to users of its system service charges, pursuant to the Service Agreement, with respect to all sewage treated or disposed of by the NHSA and for all use and services of its system, in accordance with the Act, and in a manner consistent with the submission relied upon by the United States Environmental Protection Agency (EPA) and the New Jersey Department of Environmental Protection (NJDEP) in issuing a federal grant or in such other manner that the EPA and the NJDEP approve. Such service charges shall be established at rates estimated to be sufficient to provide for all amounts necessary to pay or provide for the expenses of operation and maintenance of the NHSA's system and the principal and interest on any and all Notes as they become due, to maintain the amounts required to be held on deposit in the sinking fund and the bond reserve fund and to comply in all respects with the terms and provisions of the general bond resolution adopted by the HUCWSA on April 24, 1989, as amended, and the New Jersey Sewerage Authorities Law, provided, however that the NHSA may charge service charges which are less than sufficient to comply with the requirements referred to above if each of the municipalities gives its written consent to such lesser service charges.

## **Annual Charges**

Annual charges are based upon application of a formula which is explained in the next two paragraphs. If, but only if, the application of the formula yields a positive dollar amount for any fiscal year during which the service agreement is in effect, the City shall be obliged to pay to the NHSA its allocable share of such positive dollar amount as an annual charge. Such annual charges shall be the excess, if any of the amount determined by the items in the first paragraph following less the amount determined by the items in the second paragraph following to determine the excess, if any.

The sum of all of the amounts reasonably expected by the NHSA to be expended in the fiscal year of the NHSA (1) to pay or provide for the expenses of construction, acquisition, operation and maintenance of its system, as well as administrative and other expenses of the NHSA related to its system prior to placing the system in operation, and the principal of and interest on all Notes as the same become due; (2) to maintain such reserves or sinking funds as may be required by the terms of the contract of the NHSA or any bond resolution, or as may be deemed necessary by the NHSA; and (3) to comply in all respects with the terms of the general bond resolution adopted by the HUCWSA on April 24, 1989, as amended, and the Act.

The sum of the following amounts to the extent available to be used to pay or provide for the amounts described in the preceding paragraph: (1) service charges collected by the NHSA; (2) the proceeds of Notes received by or for account of the NHSA with respect to its system; (3) the proceeds of insurance awards received by or for account of the NHSA with respect to its system; (4) contributions received by or for account of the NHSA with respect to its system and not under any circumstances repayable by the NHSA until after the payment in full of all other obligations of title NHSA including its Notes, original or refunding or both, or (5) any other funds, on hand or available therefore.

Annual charges, if any, are assessed to and payable by the City in the same percentage as the most recent determination by the NHSA of the allocation of the annual flow among the municipalities. The most recent determination by the NHSA of the allocation of the annual flow is as follows: (i) Hoboken 23%, (ii) Union City 36%, (iii) Weehawken 14% and (iv) West New York 27%.



On or before January 1 of each fiscal year, the NHSA will make an estimate of the amount of the annual charges, if any, which will be payable by the City for such fiscal year. On or before February 15 of each fiscal year, the City will pay to the NHSA the amount of any annual charges not paid relating to any prior fiscal year. The City will pay to the NHSA that part of the estimated amount of the annual charges for the current fiscal year in four equal installments on March 1, June 1, September 1, and November 1 of such fiscal year.

### **Dissolution of the Hoboken Parking Authority**

The City authorized the dissolution of the HPA pursuant to an Ordinance (the “Dissolution Ordinance”) adopted on October 16, 2002. In accordance with the Local Authorities Fiscal Control Law (N.J.S.A. 40A:5A-1 et seq.), the Dissolution Ordinance was approved by the Local Finance Board, on October 9, 2002. The adoption of the ordinance on October 16, 2002, authorized the operation of the Parking System as a Municipal Public Utility, to be designated as the City of Hoboken Parking Utility (the “Parking Utility”). Revenues and expenses of the Parking Utility will initially consist of the revenues and expenses of the HPA.

Significant revenues include garage parking fees, on and off street parking fees, business and residential permits, towing and administrative fees, park ‘n shop coupons, and merchant fees. The most significant items of expense include garage management fees, utilities, salaries and fringes and insurance.

As of June 30, 2008, the City had outstanding \$21,950,000 of bonds and \$4,800,000 of notes relating to the dissolution of the HPA.

### **Miscellaneous**

The City is located in the County of Hudson (the “County”) and, in accordance with the regulations governing financial reporting for New Jersey municipalities, a pro rata share of certain direct debt of the County is treated as overlapping debt of the City for financial reporting purposes. Please see “Overlapping Debt” in this Appendix A to the Official Statement.

The County issues its obligations, or commits to repay various loan arrangements for the financing of capital projects of the County, including County roads, buildings, parks and educational facilities.

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## **APPENDIX C**

### **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**

The financial statements included in Appendix C makes reference to other supplementary information which includes individual fund schedules. This information is an integral part of the Authority's Annual Financial Report for the year ended December 31, 2007 and we encourage readers to consider information presented therein. The Financial Statements for the year ended December 31, 2007 and opinion are intended to be representative only as of the date thereof. McEnerney, Bracy & Company, LLC, Livingston, New Jersey, independent public auditors has not been requested by the Authority to further review and/or update such Financial Statements or opinion in connection with the preparation and dissemination of this Official Statement.

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**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
(A Component Unit of the City of Hoboken)

**Management's Discussion and Analysis  
And Financial Statements**

**For the Period February 1, 2007 (inception) to December 31, 2007**

**And**

**Independent Auditors' Report**

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY  
(A Component Unit of the City of Hoboken)**

**Management's Discussion and Analysis  
And Financial Statements**

**For the Period February 1, 2007 (inception) to December 31, 2007**

**And**

**Independent Auditors' Report**

## **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**

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## McENERNEY, BRADY & COMPANY, LLC

Certified Public Accountants \* A Limited Liability Company

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Honorable Chairman and Members of  
The Hoboken Municipal Hospital Authority  
County of Hudson, New Jersey

We have audited the accompanying statement of net assets of the Hoboken Municipal Hospital Authority (the "Authority"), a component unit of the City of Hoboken, New Jersey, as of December 31, 2007, and the related statements of revenue, expenses and changes in net assets, and cash flows for the eleven months then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Hudson Healthcare, Inc. (New Jersey non-profit corporation) who manages and operates the facility, which statements reflect 99% of the operating costs as management fees. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the operating costs included for Hudson Healthcare, Inc., is based solely on the report of the other auditors

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Hoboken Municipal Hospital Authority as of December 31, 2007, and the changes in net assets and cash flows thereof for the eleven months then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The accompanying required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 29 are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*McEnerney, Brady & Company, LLC*

McEnerney, Brady & Company, LLC  
May 9, 2008

# **Hoboken Municipal Hospital Authority**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis presents selected highlights of Hoboken Municipal Hospital Authority financial activities and financial position. The analysis focuses on significant financial issues and major financial activities and the resulting changes in financial position, as well as comparisons to the Board approved budget.

### **Hospital Highlights**

- In 2006, the City of Hoboken was in danger of losing its only hospital. Mounting losses threatened to close the hospital which was then named Saint Mary Hospital and was owned by Bon Secours Health System. In response the City formed the Hoboken Municipal Hospital Authority (HMHA) and obtained the hospital from Bon Secours Health System. The hospital was renamed Hoboken University Medical Center (HUMC) and started doing business as such on February 1, 2007.

In late 2006, the HMHA entered into a “Master Management Services Agreement” with Hudson Healthcare, Inc., a New Jersey not-for-profit 501(c)(3) organization. Hudson Healthcare performs all the duties necessary to direct and control the day-to-day operations of the facility. A key responsibility of Hudson Healthcare, Inc. is to provide management services to the hospital, including the services of a CEO and a CFO. Hudson Healthcare provides those services through consulting arrangements with individuals known within the industry.

- The Authority issued Series 2007A bonds of \$40,465,000 for construction, renovation and improvement of facilities and Series 2007B bonds of \$11,170,000 for working capital purposes.
- In 2007 the Hospital experienced significant increases in volume in all areas of service when compared to the 2006. Both inpatient and outpatient volumes exceeded the prior period by 13% and 22% respectively. Also surgical cases and newborn deliveries also exceeded the prior period by 25% and 20% respectively.
- In 2007 the Hospital broke ground on a construction project which when completed will feature a state of the art 20,000 square foot Emergency Department.
- The Hospital purchased and installed a PACS (Picture Archiving and Communication System) for radiological procedures in 2007.

### **Financial Statements**

This annual report consists of four parts: management’s discussion and analysis, the basic financial statements, required supplementary information and single audit sections. The financial statements also include notes that explain information in the financial statements in more detail. The Authority, which is a component unit of the City of Hoboken, is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business, such as real estate development, investment banking, commercial lending, and private consulting. While detailed sub-fund information is not presented, separate accounts are maintained for each program to control and manage money for particular purposes or to demonstrate that the Authority is properly using specific appropriations and grants.

## Recent Financial Performance

The schedule below is a summary of the Medical Center's Revenues, Expenses and Changes in Net Assets for the eleven months ended December 31, 2007. Since 2007 is a start up year there is no prior period comparison.

Net patient service revenue, net of contractual and other adjustments	\$102,457,043
Provision for bad debts	<u>16,250,914</u>
Patient service revenue, net	86,206,129
Other operating revenue	37,355,571
Total operating revenues	123,561,700
Operating expenses:	
Management fees and other	<u>123,450,852</u>
Income from operations before depreciation	110,848
Depreciation and amortization	<u>4,129,834</u>
(LOSS) FROM OPERATIONS	(4,018,986)
Non operating income (expense), net	<u>39,157,350</u>
REVENUES OVER EXPENSES	35,138,364
NET ASSETS, BEGINNING OF PERIOD	<u>\$ -</u>
NET ASSETS, END OF PERIOD	<u>\$ 35,138,364</u>

There was a deficit from operations in 2007 which approximated (\$4.0) million.

Net patient service revenue, before the provision for bad debts, was approximately \$102.4 million. The Hospital recognizes contractual adjustments against gross patient service revenue to arrive at net patient service revenue. Contractual adjustments represent amounts not collected due to government regulations concerning the calculation of healthcare payments and various contractual agreements with other commercial insurance carriers, health maintenance organizations and preferred provider organizations. On average the Medical Center collected approximately 16.5% of gross charges prior to the provision for bad debts.

The provision for bad debts was approximately \$16.3 million for 2007. Through the Hospital's "Revenue Cycle" task force programs are being implemented and designed to improve collections from self pay patients. These efforts include more aggressive primary and secondary collection efforts, improved collections of deductibles and co-insurance as well as the implementation of a compassionate care billing protocol for uninsured and underinsured patients.

Other operating revenue for 2007 was approximately \$37.4 million. Of this amount, \$32.1 million was the from State and Federal subsidy payments intended to subsidize the revenue shortfall associated with the large number of indigent patients the Hospital treats each year.

Operating expenses for 2007 were approximately \$128 million which is \$2.1 million less than the adopted budget. Expenses are primarily being driven off the substantially higher then expected volumes.

Nonoperating Income was approximately \$39.2 million in 2007; the majority of this amount is attributed to the contribution from Bon Secours Health System. Thus, resulting in total net assets for the period ended December 31, 2007 was approximately \$35.1 million.

## Financial Position

The information below summarizes the Authority's net assets as of December 31, 2007.

	<u>2007</u>
Assets:	
Cash and equivalents	\$ 7,535,772
Other current assets	21,246,916
Restricted assets	34,424,745
Capital assets	41,274,553
Other assets	<u>985,198</u>
Total Assets	105,467,184
Liabilities:	
Current Liabilities	20,993,820
Long-Term Liabilities	<u>49,335,000</u>
Total Liabilities	<u>70,328,820</u>
Net Assets	<u>\$ 35,138,364</u>

Net assets equal the total operating margin for 2007 since that is the inaugural year of operation. The current ratio at December 31, 2007 is 1.37. Days in accounts receivable and days in accounts payable are 46 and 60, respectively.

## Summary of Sources of Revenue

The main source of revenue for the Authority is patient services. This revenue is received primarily from third party payers, including the Federal Government under the Medicare program, the New Jersey Division of Health and Human Services under the Medicaid program, managed care contracts and other commercial insurance carriers. The principal sources of gross patient service revenue for the Authority for the eleven months ended December 31, 2007 are shown below:

Medicare	38.7 %
Managed Care	22.4
Medicaid	11.7
Blue Cross	10.6
Commercial	1.1
Self Pay/Charity/Other	<u>15.5</u>
Total	100.0%

## Budget Comparison

The following schedule presents a comparison of actual results to the budget for the eleven months ended December 31, 2007.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating revenues	<u>\$129,489,600</u>	<u>\$123,561,700</u>	<u>(\$5,927,900)</u>
Appropriations:			
Other expenses	365,000	314,778	50,222
Cost of providing services	123,092,686	123,450,852	(358,166)
Principal and interest	<u>4,736,050</u>	<u>2,320,877</u>	<u>2,415,173</u>
	<u>\$128,193,736</u>	<u>\$126,086,507</u>	<u>\$ 2,107,229</u>

### **Contacting the Authority's Financial Management**

This financial report is designed to provide New Jersey citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the appropriations and grants that it receives. If you have questions about the report or need additional information, contact the Hoboken Municipal Hospital Authority's Executive Director at 308 Willow Avenue, Hoboken, NJ 07030 or visit our web site at [www.hobokenUMC.com](http://www.hobokenUMC.com).

**Hoboken Municipal Hospital Authority**  
**(A Component Unit of the City of Hoboken)**  
**Statement of Net Assets**  
**December 31, 2007**

	<u>2007</u>
<b>ASSETS:</b>	
CURRENT ASSETS:	
Cash and equivalents	\$ 7,535,772
Patient receivables, net of allowance for doubtful accounts of \$16,250,914	14,728,610
Grants and subsidies receivable	3,198,170
Inventories	1,923,310
Other current assets	<u>1,396,826</u>
	28,782,688
 RESTRICTED FUNDS:	
Cash and equivalents	34,424,745
 CAPITAL ASSETS - Net	41,274,553
 BOND ISSUANCE COSTS - Net	<u>985,198</u>
 TOTAL	<u><u>\$ 105,467,184</u></u>
 <b>LIABILITIES AND NET ASSETS:</b>	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 2,281,715
Accrued interest payable	1,478,166
Deferred revenue	2,924,269
Due to Hudson Healthcare, Inc.	12,009,670
Current portion of long term debt	<u>2,300,000</u>
 Total current liabilities	20,993,820
 LONG TERM DEBT	49,335,000
 TOTAL LIABILITIES	<u>70,328,820</u>
 NET ASSETS:	
Invested in capital assets net of related debt	(28,735,965)
Restricted	33,191,678
Unrestricted	<u>30,682,651</u>
 NET ASSETS:	<u>35,138,364</u>
 TOTAL	<u><u>\$ 105,467,184</u></u>

The accompanying notes are an integral part of this statement.

**Hoboken Municipal Hospital Authority**  
**(A Component Unit of the City of Hoboken)**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Eleven Months Ended December 31, 2007**

	<u>2007</u>
<b>OPERATING REVENUES:</b>	
Patient service revenue, net of contractual adjustments	\$ 102,457,043
Provision for bad debts	<u>16,250,914</u>
Patient service revenue, net	86,206,129
Other operating revenues	<u>37,355,571</u>
Total operating revenues	<u>123,561,700</u>
<b>OPERATING EXPENSES:</b>	
Management fees & other	123,136,074
Other	<u>314,778</u>
Total management fees and other	<u>123,450,852</u>
<b>INCOME FROM OPERATIONS BEFORE DEPRECIATION AND AMORTIZATION</b>	110,848
Depreciation and amortization	<u>4,129,834</u>
<b>LOSS FROM OPERATIONS</b>	<u>(4,018,986)</u>
<b>NONOPERATING INCOME (EXPENSE)</b>	
Contributions:	
Cash	6,833,649
Capital Assets	32,934,954
Investment income	2,109,313
Interest expense	(2,320,877)
Other expense - net	<u>(399,689)</u>
Nonoperating income (expense) - net	<u>39,157,350</u>
<b>REVENUES OVER EXPENSES</b>	35,138,364
<b>NET ASSETS, BEGINNING OF PERIOD</b>	<u>-</u>
<b>NET ASSETS, END OF PERIOD</b>	<u><u>\$ 35,138,364</u></u>

The accompanying notes are an integral part of this statement.

**Hoboken Municipal Hospital Authority**  
**(A Component Unit of the City of Hoboken)**  
**Statement of Cash Flows**  
**For the Eleven Months Ended December 31, 2007**

	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from patient services	\$ 70,519,326
Receipts from other operating revenues	34,008,358
Payment to vendors	(245,963)
Payment to manager	<u>(111,126,404)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>(6,844,683)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from bond issue	51,635,000
Capital expenditures	(10,930,051)
Interest paid	<u>(842,711)</u>
<b>NET CASH PROVIDED (USED IN) INVESTING ACTIVITIES</b>	<u>39,862,238</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Contributions	6,833,649
Interest received on investments	<u>2,109,313</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>8,942,962</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	41,960,517
<b>CASH, BEGINNING OF YEAR</b>	<u>-</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 41,960,517</u></u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Income (loss) from operations	\$ (4,018,986)
Adjustments to reconcile income (loss) from Operations to net cash provided by operating activities:	
Depreciation	4,129,834
Patient receivables	(14,728,610)
Inventories	(1,923,310)
Other current assets	(1,396,826)
Accounts payable and accrued expenses	2,281,715
Grants and subsidies receivable	(3,198,170)
Due Hudson Healthcare, Inc.	<u>12,009,670</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ (6,844,683)</u></u>

The accompanying notes are an integral part of this statement.



**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**(A Component Unit of the City of Hoboken)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**

**NOTE 1. GENERAL**

**The Authority**

The Hoboken Municipal Hospital Authority (the “Authority”) was created pursuant to an ordinance of the Municipal Council of the City duly adopted on August 9, 2006 and pursuant to the Act. The Authority is a public body corporate and politic constituting an agency and instrumentality of the City and having the power to do anything necessary or convenient to carry out its purposes and exercise the powers granted in the Act. Pursuant to the Act, the sole purpose of the Authority is to acquire, manage and operate a “hospital” (as such term is defined in the Act). In furtherance of such purpose, the Authority may borrow money and issue its bonds or notes and secure the same by, among other things, a pledge of its revenues and pay for the costs of any capital improvements or equipment related to the operation, maintenance, expansion, renovation, or rehabilitation of that hospital, for any working capital necessary for the operation of that hospital and for any costs related to the issuance of any bonds or notes therefore. Pursuant to the Act, the City may, among other things, unconditionally guarantee the punctual payment of the principal of and interest on any bonds or notes issued by the Authority. Furthermore, pursuant to the Act, although the Authority must maintain primary responsibility for the operation of the hospital, it must exercise its powers and duties to manage and operate the hospital through a contract with a nonprofit manager retained by the Authority.

As a public body under the existing statute, the Authority is exempt from both federal and state taxes.

For financial reporting purposes, The Authority is a component unit of the City of Hoboken, County of Hudson, State of New Jersey. There are no component units included in the accompanying financial statements.

The Authority's usual fiscal year is the twelve (12) month period ending December 31 of any year, or such other twelve (12) month period which the Authority may establish by resolution.

The daily business of the Authority is presently conducted by its Executive Director.

The Authority currently has no employees.

The Authority is governed by an 11-member board including the Mayor of the City and the hospital chief executive officer or their designees.

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
(A Component Unit of the City of Hoboken)  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

NOTE 1.     GENERAL - (Continued)

**The Hospital**

Founded in 1863, St. Mary Hospital (now known as Hoboken University Hospital Authority, the “Hospital”) is the oldest hospital in New Jersey and is situated in the most densely populated part of the State.

The Authority, simultaneously with the issuance of the Series 2007 Bonds, acquired substantially all of the assets comprising the Hospital from Bon Secours Health System, Inc. (“Bon Secours”). The purchase price for the assets was \$1.00. In addition, pursuant to the Act, Bon Secours provided \$13 million in working capital contributions to the Authority. The Hospital currently qualifies for Disproportionate Share Hospital (DSH) funds. However, there can be no assurance as to the amount of DSH funds, if any, the State will appropriate for the Hospital.

The Hospital provides basic health services, such as emergency care, obstetrics, surgery, pediatrics, podiatrics, and psychiatry, as well as an array of medical diagnoses and treatments, including radiology, cardiology and cancer care. Construction of a larger and more efficient emergency department is expected to affect finances in a positive way. More than 40 percent of hospital admissions come through the emergency department.

**The Facilities**

The main Hospital building, located at 308 Willow Avenue, is a seven story structure, approximately 300,000 square feet, currently licensed for 358 acute care beds and 6 bassinets. In addition to the main Hospital building, the Authority acquired, with proceeds of the Series 2007 Bonds a 25,565 square foot Medical Clinic building located at 122-132 Clinton Street and a 5,300 square foot office building located at 4th Street and Willow Avenue. Proceeds of the Series 2007 Bonds will also be used to make various capital improvements to the main Hospital building and to certain leased office space. The Hospital’s medical staff currently includes 468 physicians, of which 382 are active members.

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**(A Component Unit of the City of Hoboken)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

**NOTE 1. GENERAL - (Continued)**

**The Facilities - (Continued)**

The foregoing acquisitions was effectuated pursuant to an Asset Transfer Agreement, dated as of February 1, 2007, among St. Mary Hospital, Inc., Bon Secours, and the Authority. The Asset Transfer Agreement contains various representations, warranties, covenants and other undertakings of the parties, including certain indemnifications and required payments.

**The Manager**

As required by the Act, the Hospital must be managed and operated by a nonprofit manager. The Authority has entered into a Master Manager and Operation Agreement dated February 1, 2007 (the "Master Manager and Operator Agreement") with Hudson Healthcare, Inc. (the "Manager"), a recently formed New Jersey non-profit corporation. As part of the acquisition of the Hospital, numerous contracts in regard to the operations of the Hospital were assigned to the Manager. Hudson Health Care, Inc. received Section 501(c)3 status effective November 19, 2007.

The agreement between the Manager and the Authority provides that the Manager shall be a single purpose entity, whose sole purpose will be to manage and operate the Hospital and that the payments from the Authority to the Manager will be equal to the expenses incurred by the Manager in managing and operating the Hospital. If the agreement between the Authority and the Manager is terminated for any reason, the agreement provides that all contracts assumed by or entered into by the Manager will be transferred at the direction of the Authority to a successor non-profit entity designated by the Authority to operate and manage the Hospital.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the Hospital's significant accounting policies follows:

**Basis of Financial Statements**

The term measurement focus is used to denote what is being measured and reported in the Authority's operating statement. The Authority is accounted for on the flow of economic resources measurement focus. The fundamental objective of the focus is to measure whether the Authority is better or worse off economically as a result of events and transactions of the period.

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**(A Component Unit of the City of Hoboken)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Basis of Financial Statements - (Continued)**

The term basis of accounting is used to determine when a transaction or event is recognized on the Authority's operating statement. The Authority uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Authority has elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Governmental Accounting Standards Board.

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments." Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital asset, net of related debt."

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**(A Component Unit of the City of Hoboken)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated uncollectibles and allowances for accounts receivable from services to patients, and liabilities, including estimated payables to third-party payors, and the disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates also affect the reported amounts of revenues, expenses, gains and losses during the reporting period. Actual results could differ from those estimates.

**Cash and Equivalents**

Cash and equivalents includes highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, excluding amounts held in restricted funds.

**Patient Accounts Receivable**

Patient accounts receivable result from the healthcare services provided by the Hospital. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible, if any, are deducted from the allowance for doubtful accounts. The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in health care coverage, and other collection indicators.

**Grants**

Contributions received from various sources as grants are recorded in the period received. Donated assets are recorded at fair market value at the date of the gift. Grants externally restricted for non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

**Inventories**

Inventories, which consist primarily of supplies, are stated at the lower of cost or market, as determined on a first-in, first-out method.

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**(A Component Unit of the City of Hoboken)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

**NOTE 2.**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**Property, Plant and Equipment**

Property, plant and equipment is stated at cost for purchased assets or fair value for donated assets. The Hospital Authority provides for depreciation on all depreciable assets, based on the straight-line method over the estimated useful life of the related assets.

Gifts of long-lived assets such as property, plant and equipment are recorded at the fair value at the date of the gift and reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding the duration those long-lived assets must be maintained, the Hospital Authority reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Donor Restricted Gifts**

Unconditional promises to give cash and other assets to the Hospital Authority are reported at fair value on the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

**Net Patient Service Revenue**

Net patient service revenue is accounted for on the accrual basis of accounting in the period in which the service is provided. These amounts are net of estimated contractual allowances and other deductions to give recognition to differences between the Hospital Authority's charges and reimbursement rates as the Hospital Authority is reimbursed from third-party payors at amounts different from its established rates. Certain net revenues received are subject to audit and adjustment for which amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is at least reasonably possible that a change in the estimates will occur in the near term and will be adjusted in future periods as final settlements are determined.

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**(A Component Unit of the City of Hoboken)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

**NOTE 2.**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**Net Patient Service Revenue** - (Continued)

A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient services rendered to Medicare program beneficiaries are paid at prospectively set forth fixed payment rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are also paid at prospectively determined amounts. The payment amount is based on a patient's diagnosis, acuity and resources required for treatment. Certain services and specified expenses related to Medicare beneficiaries are paid based on a reasonable cost reimbursement methodology. The Hospital Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Hospital Authority and audit thereof by the Medicare Fiscal Intermediary.

Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective methodology which is based on the former reimbursement system known as Chapter 83 of the laws of the State of New Jersey. Outpatient services are paid based upon a cost reimbursement methodology and certain services are paid based on a Medicaid fee schedule.

Other Payors - The Hospital Authority has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital Authority under these agreements includes prospectively determined rates per day or a percentage of charges.

**Charity Care**

The Hospital Authority has a policy of providing medical care at amounts less than its established rates to patients who are unable to pay based on guidelines as set forth by the State of New Jersey. Charity care patients are separately identified and related charges are reduced based on financial information obtained from the patient.

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**(A Component Unit of the City of Hoboken)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Restricted Accounts**

In accordance with the 2007 Bond Resolution, the Authority has established the following cash and investment accounts for the deposit and/or transfer, in the priority of the order listed, of all moneys received by the Authority:

<u>Account</u>	<u>Amount</u>	<u>Use For Which Restricted</u>
Operating	All revenue received by the Authority.	Authorized operating expenses and, at least once a month, transfers to the various accounts described below.
Operating Reserve	Amount needed to pay operating expenses in excess of amounts on deposit in the Operating Fund.	Transfers to meet required amounts in the Debt Service, Debt Service Reserve and Construction Funds.
Construction	Proceeds of debt issued and construction grants-in-aid.	Construction costs of the Projects and transfers to meet minimum levels in the bond service account and/or bond reserve.
Debt Service	Amount needed to pay matured principal and interest, plus principal and interest due on or before the following January 1.	Principal and interest on the bonds.
Debt Service Reserve (Series 2007A)	Amount needed to equal the greatest amount of debt service due in any year.	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the revenue account.

**Unamortized Bond Issuance Costs**

Bond issue costs are being amortized over the life of the bond issue based on the interest method. Accumulated amortization as of December 31, 2007 was \$105,979.



**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

**NOTE 2.**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**Operating Indicator**

Income (loss) from operations includes all unrestricted revenues, gains and other support and operating expenses for the reporting period. Income (loss) from operations excludes capital contributions, investment income, nonoperating expenses, permanent transfers of assets to and from affiliates for other than goods and services, gains or losses on the disposal of capital assets, contributions restricted for capital purposes and unrestricted gifts.

**Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**Estimated Insurance Liabilities**

The Hospital Authority has malpractice insurance coverage on a claims-made basis. Claims payable, if any, are recorded net of expected insurance recoveries. Amounts are accrued based on the cost of the Hospital Authority's claims experience to date. It is management's intention to continue existing coverage.

Losses from unasserted claims and incidents that may have occurred but have not been identified under the incident reporting system are based on estimates based on industry and specific Hospital Authority experience.

**NOTE 3.**     **CASH AND EQUIVALENTS**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), or by any other agencies of the United States that insures deposits, or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
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(Continued)

**NOTE 3. CASH AND EQUIVALENTS** - (Continued)

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed seventy-five (75%) percent of the capital funds of the depository, the depository must provide collateral having a market value equal to one hundred (100%) percent of the amount exceeding seventy-five (75%) percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The Authority has complied with all statutes and regulations applicable to deposits and investments. In general, bank deposits are classified as to credit risk by three categories described below:

**Category 1**

Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

**Category 2**

Collateralized with securities held by pledging public depository's trust department or agent in the Authority's name.

**Category 3**

Uncollateralized, including any deposits that are collateralized with securities held by pledging public depository, or by its trust department of agency not in the Authority's name.

At December 31, 2007, cash and equivalents of the Authority consisted of the following:

Demand & Money Market Accounts .....	\$41,960,517
--------------------------------------	--------------

The carrying amount of the Authority's cash and cash equivalents at December 31, 2007 was \$41,960,517 and the bank balance was \$41,960,517. \$910,157 of the bank balance is classified as Category 1 and was covered by federal depository insurance and \$41,050,360 is classified as Category 3 and was covered by a collateral pool maintained by the banks as required by New Jersey Statutes.

Cash equivalents include money market funds, mutual funds and certificate of deposits with maturity dates of less than three months. Cash equivalents are stated at cost, which approximates market. Cash equivalents were held by the Authority's Trustee in the Authority's name.

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**

(Continued)

**NOTE 4. INVESTMENTS**

The funds of the Authority can be invested in:

Direct Obligations of the United States of America or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America: (1) U.S. Export-Import Bank (Eximbank); (2) Farmers Home Administration (FMHA); (3) Federal Financing Bank; (4) Federal Housing Administration Debentures (FHA); (5) General Services Administration; (6) Government National Mortgage Association; (7) U.S. Maritime Administration; and (8) U.S. Department of Housing and Urban Development.

Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies: (1) Federal Home Loan Bank System; (2) Federal Home Loan Mortgage Corporation; (3) Federal National Mortgage Association; (4) Student Loan Marketing Association; (5) Resolution Funding Corp. obligations; and (6) Farm Credit System.

Money Market funds registered under the Federal Investment Company Act of 1940.

Certificates of deposit secured at all times by collateral described above.

Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to MBIA.

Commercial paper rated, at the time of purchase "Prime - 1" by Moody's and "A-1" or better by S&P.

Bonds or Notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1" or "A" or better by S&P.

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

**NOTE 4. INVESTMENTS - (Continued)**

The New Jersey Cash Management Fund, and Repurchase Agreements for 30 days or less. Repurchase Agreements which exceed 30 days must be acceptable to the Insurer.

**NOTE 5. STATE SUBSIDY FUNDS**

The State of New Jersey Healthcare Reform Act of 1992 established, among other items, two funds which are used to subsidize Hospital's that meet certain payor mix characteristics. The two funds are the Uncompensated Care Charity Fund and the Other Uncompensated Care Fund (Hospital Relief and Mental Health). The Hospital Authority also received an additional State Appropriation. The Hospital Authority has included the subsidies received from these funds during the eleven months ended December 31, 2007 in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets with other operating revenues.

Charity Care .....	\$ 13,494,430
New Jersey State Grant Appropriation .....	4,000,000
Hospital Relief .....	2,077,229
Mental Health.....	234,620
Disproportionate Share Hospital.....	<u>6,211,270</u>
	<u>\$ 26,017,594</u>

**NOTE 6. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following:

	Depreciable Life	<u>2007</u>
Land .....		\$ 7,047,721
Buildings .....	10-50 years	20,308,333
Fixed equipment.....	5-20 years	3,972,943
Major movable equipment ...	5-20 years	8,666,466
Minor equipment.....	5-20 years	1,304,848
Construction in progress .....		<u>3,998,097</u>
.....		45,298,408
Less: accumulated depreciation		<u>4,023,855</u>
		<u>\$ 41,274,553</u>

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

**NOTE 7. RESTRICTED NET ASSETS**

Funds held by Trustees under the respective Master Trust Indentures as of December 31, 2007 consist of the following:

	<u>2007</u>
Debt Service Funds .....	\$ 3,774,341
Debt Service Reserve Funds .....	3,564,275
Construction Fund.....	<u>25,853,062</u>
	<u>\$ 33,191,678</u>

**NOTE 8. LONG-TERM DEBT**

Long-term debt as of December 31, 2007 consists of the following:

	<u>2007</u>
Series 2007A Bonds, payable in varying amounts to \$3,405,000, with interest varying up to 4.60% .....	\$ 40,465,000
Series 2007B Bonds, payable in varying amounts to \$6,020,000, with interest varying up to 5.816% .....	<u>11,170,000</u>
	51,635,000
Less: current installments .....	<u>2,300,000</u>
	<u>\$ 49,335,000</u>

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**

**(A component Unit of the City of Hoboken)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM INCEPTION**

**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**

(Continued)

**NOTE 8. LONG-TERM DEBT - (Continued)**

The Series 2007A Bonds were issued for the purpose of providing funds for: (A) the acquisition of various capital improvements and fixed and major moveable equipment for hospital facilities known as St. Mary Hospital and acquired by the Authority and to be known as Hoboken University Hospital Authority, located at 308 Willow Avenue, Hoboken, New Jersey (the "Hospital"), including but not limited to, the following: (i) renovation of patient rooms, (ii) construction of a new 20,000 square feet emergency department, (iii) renovations and expansion of labor and delivery suite, (iv) information system integration and backup capacity – tandem servers, (v) construction and acquisition of a low risk cardiac catheterization laboratory and equipment, and (vi) purchase of 64 Slice CT imaging equipment and other moveable medical equipment, (B) the acquisition by the Authority of land and a 25,565 square foot building located at 122-132 Clinton Street, Hoboken, New Jersey to be used as a clinic, physician offices and training facility, (C) the acquisition by the Authority of land and a 5,300 square foot building located at 307 Willow Avenue, Hoboken, New Jersey to be used as counseling and administrative offices to house a County and Federal grant funded AIDS program, (D) the construction of leasehold improvements to the ground floor of the garage facility owned by the City of Hoboken located at 4th Street and Willow Avenue, Hoboken, New Jersey, to be used by the Authority for hospital office facilities, (D) capitalized interest on the Series 2007A Bonds for a period of two years, (E) the funding of a deposit to a debt service reserve fund for the Series 2007A Bonds, and (F) the payment of costs of issuing the Series 2007A Bonds (the "Series 2007A Project"). The Series 2007B Bonds are being issued for the purpose of (i) providing capitalized interest on the Series 2007B Bonds for a period of two years, (ii) providing certain initial start-up working capital and reserves for operation of the Hospital, and (iii) paying costs of issuing the Series 2007B Bonds (the "Series 2007B Project" and, collectively with the Series 2007A Project, the "Project").

Schedule principal and interest payments on long term debt are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008.....	\$ 2,300,000	\$ 2,341,516	\$ 4,641,516
2009.....	2,850,000	2,217,086	5,067,086
2010.....	1,850,000	2,062,046	3,912,046
2011.....	1,920,000	1,989,896	3,909,896
2012.....	1,995,000	1,916,935	3,911,935
2013-2017 .....	11,210,000	8,348,990	19,558,990
2018-2021 .....	10,735,000	4,909,334	15,644,334
2022-2026 .....	18,775,000	3,235,896	22,010,896
	<u>\$ 51,635,000</u>	<u>\$ 27,021,699</u>	<u>\$ 78,656,699</u>

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

**NOTE 9. CAPITAL CONTRIBUTIONS IN AID OF CONSTRUCTION**

Contributions as of December 31, 2007:

	<u>2007</u>
Fair market value of facilities contributed by Bon Secours:	
Land	\$ 5,605,536
Building.....	19,774,464
Equipment.....	<u>7,180,000</u>
Total .....	32,560,000
Less Accumulated Depreciation .....	<u>3,994,194</u>
Net Contributed Capital .....	<u>\$ 28,942,316</u>

**NOTE 10. COMMITMENTS AND CONTINGENCIES**

- a. The health care industry is subject to numerous laws and regulations of federal, state and local governments. Governmental activity has increased with respect to investigations concerning possible violations by health care providers of fraud and abuse statutes and regulations. Compliance with such laws and regulations are subject to future governmental review and interpretations as well as potential regulatory actions unknown or unasserted at the time.
- b. The Hospital Authority's revenues are subject to adjustment as a result of audits or reviews by third-party payors. Adjustments could occur as a result of differing opinions on a patient's principal medical diagnosis, including the appropriate sequencing of codes used to submit claims for payment, which can have a significant effect on the payment amount. Additionally, valid claims may be determined to be nonallowable after the fact due to differing opinions on medical necessity. Differing opinions may also occur as a result of reviewing contractual terms with third-party payors. Claims for services rendered may be deemed to be nonallowable if they are later determined to have been based on inappropriate referrals. Also, Governmental agencies may make changes in program interpretations, requirements or conditions of participation, some of which may have implications for amounts previously estimated. The Hospital Authority has provided estimates for known claims against the Hospital Authority.

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**(A Component Unit of the City of Hoboken)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

**NOTE 11. NET PATIENT SERVICE REVENUE AND RELATED ADJUSTMENTS**

The Hospital Authority records gross patient service revenue on the accrual basis of accounting at established charges, with contractual and other allowances added to or deducted from such amounts to arrive at net patient service revenue. The Hospital Authority maintains policies and records to identify and monitor these contractual allowances and its level of charity care. These records include the amount of deductions from gross revenues due to qualified services provided under the State's charity care guidelines.

The percentage of net patient service by payor for the period February 1, 2007 to December 31, 2007 is as follows:

	<u>2007</u>
Medicare .....	39%
Medicaid .....	12
Blue Cross.....	11
All other payors.....	<u>38</u>
	<u>100%</u>

The components of net patient service revenue for the eleven months ended December 31, 2007 are as follows:

	<u>2007</u>
Gross patient service revenue:	
Inpatient .....	\$ 406,235,136
Outpatient.....	<u>201,379,544</u>
Total gross patient service revenue .....	<u>607,614,680</u>
(Deductions from) gross patient service revenue:	
Allowances .....	(426,718,913)
Charity care .....	<u>(78,437,924)</u>
	<u>(505,156,837)</u>
Net patient service revenue .....	<u>\$ 102,457,843</u>



**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**  
(Continued)

**NOTE 12. CHARITY CARE**

The Hospital Authority provides care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services without charge or at amounts less than its established rates. The Hospital Authority's records identify and monitor the level of charity care it provides and include the amount of charges foregone for services and supplies furnished. The level gross charges related to the charity care provided for the period February 1, 2007 to December 31, 2007 was approximately \$78,400,000.

**NOTE 13. PROFESSIONAL LIABILITY AND OTHER INSURANCE**

The Hospital Authority maintains an internal risk management program and carries claims-made malpractice insurance coverage.

The Hospital Authority has estimated a range of losses for its potential liability for malpractice claims based on its own past experience and industry experience data. These estimates include reserves for unreported incidents and losses.

**NOTE 14. RELATED PARTY TRANSACTIONS**

In the normal conduct of the Hospital Authority's operations, it has transactions with its affiliates primarily related to patient services or expenditures made on behalf of the affiliates which are reimbursed to the Hospital Authority. Amounts due to related parties as of December 31, 2007 are included in the caption of Due to Hudson Heath, Inc.

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**(A Component Unit of the City of Hoboken)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM INCEPTION**  
**(FEBRUARY 1, 2007) TO DECEMBER 31, 2007**

(Continued)

**NOTE 15. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Hospital Authority to concentrations of credit risk consist principally of cash balances, in checking and savings accounts, with financial institutions and accounts receivable. With respect to cash in financial institutions, which periodically exceeds federally insured limits, the Hospital Authority has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on the balances with the financial institutions.

With respect to accounts receivable, the Hospital Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The percentage of gross accounts receivable due from third-party payors and patients before allowances for doubtful accounts and contractual adjustments as of December 31, 2007 were as follows:

Medicare and Medicaid.....	33%
Self Pay (including co-payments).....	30
Managed Care .....	26
Commercial.....	6
Blue Cross Plans .....	5
	<u>100%</u>

**NOTE 16. SUBSEQUENT EVENT**

On April 23, 2008 the Authority submitted an application to the Local Finance Board pursuant to the Hospital Authority Act and N.J.S.A. 40A:5A-6, seeking the approval of the issuance by the Authority of its bonds and notes in the aggregate principal amount of not to exceed \$12,000,000 (the "2008 Bonds"). The 2008 Bonds will be issued on a taxable basis, the proceeds of which will be used to (i) partially refund the 2007B Bonds and extend their maturity dates and (ii) provide the Authority with approximately \$10.15 million of available working capital. In addition to the short term relief, and issuance of the 2008 Bonds, the Authority will apply \$6,300,000 from the Construction Fund for the 2007A Bonds to defease \$5,765,000 principal amount of 2007A Bonds to their first call date. The debt service on the 2007 A Bonds will be reduced by approximately \$2,000,000 for the years 2010 through 2012. It is expected that the 2008 Bonds will be issued by the Authority in series of taxable bonds or notes to be repaid over the period of 2027 through 2029. The 2008 Series will increase debt service approximately \$715,000 through 2027 and then \$3,900,000 thereafter. The principal and interest on the 2008 Bonds will be secured by revenues generated by the Hospital. In addition, the punctual payment of the principal of and the interest on the 2008 Bonds will also be secured by a City of Hoboken guaranty. It is expected that a bond insurance commitment from a "AAA" rated bond insurer will be issued, thereby further insuring the timely payment of principal and interest to the bond or note holders.

## **SUPPLEMENTARY INFORMATION**

**Hoboken Municipal Hospital Authority**  
**(A Component Unit of the City of Hoboken)**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**- Budget and Actual**  
**For the Eleven Months Ended December 31, 2007**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:					
Other operating revenues	\$ 129,489,600	\$ -	\$ 129,489,600	\$ 123,561,700	\$ (5,927,900)
Expenditures:					
Administration:					
Other expenses	365,000		365,000	314,778	50,222
Cost of Providing Services					
Other expenses	123,092,686		123,092,686	123,450,852	(358,166)
Principal payments on Authority					
Bonds	2,500,000		2,500,000	-	2,500,000
Interest payments	<u>2,236,050</u>	<u>-</u>	<u>2,236,050</u>	<u>2,320,877</u>	<u>(84,827)</u>
Total expenditures	128,193,736	-	128,193,736	126,086,507	2,107,229
Excess of revenue over expenditures	<u>\$ 1,295,864</u>	<u>\$ -</u>	<u>\$ 1,295,864</u>	<u>\$ (2,524,807)</u>	<u>\$ (3,820,671)</u>

## **SINGLE AUDIT SECTION**



**McENERNEY, BRADY & COMPANY, LLC**

Certified Public Accountants \* A Limited Liability Company

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members of the  
Hoboken Municipal Hospital Authority  
County of Hudson, New Jersey

We have audited the general-purpose financial statements of the Hoboken Municipal Hospital Authority in the County of Hudson as of and for the eleven month period ended December 31, 2007, and have issued our report thereon dated May 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, State of New Jersey.

**Compliance**

As part of obtaining reasonable assurance about whether Hoboken Municipal Hospital Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, State of New Jersey. We noted certain matters that were reported to the Authority in a separate report dated May 9, 2008.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Hoboken Municipal Hospital Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal

course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, the Hoboken Municipal Hospital Authority, the New Jersey State Division of Local Government Services (the cognizant audit agency) and other state and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

*McEnerney, Brady & Company, LLC*

McEnerney, Brady & Company, LLC  
May 9, 2008



**McENERNEY, BRADY & COMPANY, LLC**

Certified Public Accountants \* A Limited Liability Company

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133 AND  
NEW JERSEY OMB CIRCULAR 04-04**

Honorable Chairman and Members of the  
Hoboken Municipal Hospital Authority  
County of Hudson, New Jersey

**Compliance**

We have audited the compliance of the Hoboken Municipal Hospital Authority in the County of Hudson, with the types of compliance requirements described in OMB A-133 and the New Jersey Compliance Manual *State Grants Compliance Supplement* that are applicable to each of its major federal and state programs for the period February 1, 2007 (inception) to December 31, 2007. The Hoboken Municipal Hospital Authority's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Hoboken Municipal Hospital Authority's management. Our responsibility is to express an opinion on the Hoboken Municipal Hospital Authority's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Local Government Services, State of New Jersey; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Hoboken Municipal Hospital Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on the Hoboken Municipal Hospital Authority's compliance with those requirements.



In our opinion, Hoboken Municipal Hospital Authority, in the County of Hudson, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the period February 1, 2007 (inception) to December 31, 2007.

### **Internal Control Over Compliance**

The management of the Hoboken Municipal Hospital Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Hoboken Municipal Hospital Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the management of the Hoboken Municipal Hospital Authority, the New Jersey State Division of Local Government Services (the cognizant audit agency) and other state and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

*McEnerney, Brady & Company, LLC*

McEnerney, Brady & Company, LLC  
May 9, 2008

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE PERIOD FEBRUARY 1, 2007 TO DECEMBER 31, 2007**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance at February 1, 2007			Cash Received	Expenditures	December 31, 2007		
				Due to Grantor	Accounts Receivable	Deferred Revenue			Accounts Receivable	Deferred Revenue	Due to Grantor
US Department of Health and Human Services- Through State Department of Human Services:											
Ryan White EIS/Title III	93.918	9-30-96 -3-31-07	\$ 654,678	-	-	-	\$ 490,802	\$ 597,168	\$ 106,366	-	-
Ryan White Primary Care Title I	93.914	7-1-07-2-29-08	\$ 296,571	-	-	-	260,297	322,516	62,219	-	-
Ryan White Complementary Therapy Title I		10-1-06 -2-28-07	\$ 144,000	-	-	-	11,977	11,977	-	-	-
Total Federal Awards				\$ -	\$ -	\$ -	\$ 763,076	\$ 931,661	\$ 168,585	\$ -	\$ -

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at February 1, 2007			Cash Received	Expenditures	December 31, 2007		
				Due to Grantor	Accounts Receivable	Deferred Revenue			Accounts Receivable	Deferred Revenue	Due to Grantor
State of New Jersey:											
Division of Mental Health Services	10110	9-1-06-12-31-07	\$ 1,457,032	\$ -	\$ -	\$ -	\$ 891,590	\$ 1,004,678	\$ 113,088	\$ -	\$ -
Division of Youth and Family Services	93.556	9-1-06-12-31-07	\$ 559,193	-	-	-	246,341	385,128	138,787	-	-
Dept. of Health and Senior Services	07-1099-HBT-H-1	9-1-06 -8-31-07	\$ 55,000	-	-	-	12,480	55,000	42,520	-	-
Dept. of Health and Senior Services		9-1-06 -8-31-07	\$ 4,000,000	-	-	-	4,000,000	4,000,000	-	-	-
County of Hudson:											
Dept. of Health and Human Services(Project RAP	N/A	1-1-07- 12-31-07	\$ 22,240	-	-	-	18,157	20,062	1,905	-	-
Dept. of Health and Human Services(Giant Steps)	N/A	1-1-07 - 12-31-07	\$ 87,656	-	-	-	76,242	82,994	6,752	-	-
Dept. of Health and Human Services(Out Patient I	N/A	1-1-07 - 12-31-07	\$ 33,000	-	-	-	28,609	29,735	1,126	-	-
Dept. of Health and Human Services -Partial Care	N/A	1-1-07 - 12-31-07	\$ 14,690	-	-	-	-	13,960	13,960	-	-
Dept. of Health and Human Services - Project Imp	N/A	1-1-07 -12-31-07	\$ 172,694	-	-	-	86,823	139,924	53,101	-	-
				\$ -	\$ -	\$ -	\$ 5,360,242	\$ 5,731,481	\$ 371,239	\$ -	\$ -

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**(A Component Unit of the City of Hoboken)**  
**NOTES TO SCHEDULES OF EXPENDITURES**  
**OF FEDERAL AND STATE AWARDS**  
**FOR THE PERIOD FEBRUARY 1, 2007 TO DECEMBER 31, 2007**

1. GENERAL:

The accompanying Schedules of Expenditures of awards present the activity of all federal and state awards of the Hoboken Municipal Hospital Authority. The Hoboken Municipal Hospital Authority is defined in Note 1 to the Authority's financial statements. All federal and state awards received directly from federal and state agencies, as well as, federal awards and state financial assistance passed through other government agencies, is included on the Schedule of Expenditures of Federal and State Awards.

2. BASIS OF ACCOUNTING:

The accompanying Schedule of Expenditures of Federal and State Awards are presented using the accrual basis of accounting.

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS:

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**(A Component Unit of the City of Hoboken)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE PERIOD FEBRUARY 1, 2007 TO DECEMBER 31, 2007**

*Part 1 - Summary of Auditor's Results*

FINANCIAL STATEMENT SECTION

- A) Type of auditor's reports issued: Unqualified
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified?        Yes   X   No
- 2) Were reportable condition(s) identified that were  
        not considered to be material weaknesses?        Yes   X   No
- C) Noncompliance material to general purpose financial  
    statements noted?        Yes   X   No

FEDERAL AWARDS SECTION

- D) Internal Control over compliance:
- 1) Material weakness(es) identified?        Yes   X   No
- 2) Were reportable condition(s) identified that were not  
        considered to be material weaknesses?        Yes   X   No

Type of auditor's report issued on compliance for major programs: Unqualified

- E) Any audit findings disclosed that are required to be reported  
    in accordance with OMB Circular A-133 (section .510(a))?        Yes   X   No

- F) Identification of major federal and state programs:

<u>CFDA #</u>	
Ryan White EIS/Title III	93.918
Ryan White Primary Care Title I	93.914
Division of Mental Health Services	10110
Division of Youth & Family Services.	93.556

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
**(A Component Unit of the City of Hoboken)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE PERIOD FEBRUARY 1, 2007 TO DECEMBER 31, 2007**  
**(CONTINUED)**

***Part 1 - Summary of Auditor's Results (continued)***

G) Dollar threshold used to distinguish between type A and type B programs: \$500,000

H) Auditee qualified as low-risk auditee? ☐ Yes ☒ No

***Part 2 - Schedule of Financial Statement Findings***

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the general-purpose financial statements that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

**NONE**

***Part 3 - Schedule of Federal and State Award Findings and Questioned Costs***

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

**NONE**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT  
FINDINGS AS PREPARED BY MANAGEMENT**

This section identifies the status of prior year findings to the general-purpose financial statements and federal and state awards that are required to be reported in accordance the Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

**STATUS OF PRIOR YEAR FINDINGS**

There were no prior year audit findings for the year ended December 31, 2006 as the Authority's inception was February 1, 2007.

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**APPENDIX D**  
**CITY OF HOBOKEN**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

The financial statements included in Appendix D makes reference to other supplementary information which includes individual fund schedules. This information is an integral part of the City's Annual Financial Report for the year ended June 30, 2007 and we encourage readers to consider information presented therein. The Financial Statements for the year ended June 30, 2007 and opinion are intended to be representative only as of the date thereof. Garbarini & Co. P.C., Carlstadt, New Jersey Independent public auditors has not been requested by the City to further review and/or update such Financial Statements or opinion in connection with the preparation and dissemination of this Official Statement.

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**CITY OF HOBOKEN  
HUDSON COUNTY, NEW JERSEY**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2007**

CITY OF HOBOKEN  
HUDSON COUNTY, NEW JERSEY  
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CITY OF HOBOKEN  
HUDSON COUNTY, NEW JERSEY  
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CITY OF HOBOKEN  
HUDSON COUNTY, NEW JERSEY  
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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the City Council  
City of Hoboken, New Jersey

We have audited the accompanying statutory-basis financial statements of the City of Hoboken (the "City"), County of Hudson, New Jersey as of June 30, 2007 and for the year ended June 30, 2007, listed as financial statement exhibits in the foregoing table of contents. These financial statements are the responsibility of the City's administration. Our responsibility is to express opinions on these financial statements based on our audit. The statutory-basis financial statements of the City as of and for the year ended June 30, 2006 were audited by other auditors whose report thereon dated December 28, 2006, expressed an unqualified opinion on those statements in accordance with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America due to the differences between those principles and the accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared in conformity with the accounting practices prescribed by the *Division of Local Government Services, Department of Community Affairs, State of New Jersey*, which practices differ from accounting principles generally accepted in the United States. The effects of the differences from accounting principles generally accepted in the United States are not reasonably determinable.

In our opinion, because of the effects of the use of prescribed accounting practices that differ from accounting principles generally accepted in the United States as described in the second preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States, the financial position of the City as of June 30, 2007 or the results of its operations or changes in its fund balances for the year ended June 30, 2007.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City as of June 30, 2007, and the results of its operations and the changes in its fund balances for the year ended June 30, 2007 in conformity with the accounting practices prescribed by the Division of Local Government Services as described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the statutory-basis financial statements taken as a whole. The accompanying supplementary schedules and comments section listed in the foregoing table of contents are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and are not a required part of the statutory-basis financial statements of the City. Such supplementary information has been subjected to the auditing procedures applied in the audit of the 2007 statutory-basis financial statements and, in our opinion, are fairly stated in all material respects in relation to the 2007 statutory-basis financial statements taken as a whole.

Garbarini & Co. P.C. CPA's

*Garbarini & Co.*

By: Paul C. Garbarini, CPA  
Registered Municipal Accountant  
License No. 120

December 7, 2007  
Carlstadt, New Jersey

## **Financial Statements**

**Current Fund**

**Exhibits**



**CITY OF HOBOKEN  
CURRENT FUND**

A

**COMPARATIVE BALANCE SHEETS**

		At June 30,	
	<u>Reference</u>	<u>2007</u>	<u>2006</u>
<b><u>ASSETS</u></b>			
Current Fund:			
Cash	A-4	\$ 21,525,522	\$ 7,831,318
Change Fund		750	750
		<u>21,526,272</u>	<u>7,832,068</u>
Other Receivables:			
Due from State of New Jersey - Seniors / Veterans Deductions	A-8	<u>57,700</u>	<u>65,731</u>
Receivable and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	2,082	3,292
Tax Title Liens Receivable	A-6	469,752	453,254
Property Acquired for Taxes - Assessed Valuation	A-7	2,806,900	2,806,900
Revenue Accounts Receivable	A-9	145,209	151,305
Mortgage Receivable	A-11	766,571	822,325
Water Liens	A-12	44,306	46,261
Interfund Receivable	A-10	364,741	276,846
	Contra	<u>4,599,561</u>	<u>4,560,183</u>
Deferred Charges	A-13	<u>2,533,920</u>	<u>1,102,020</u>
Total Current Assets		<u>28,717,453</u>	<u>13,560,002</u>
Federal and State Grants Fund:			
Cash	A-4	2,321,069	3,394,890
Grants Receivable	A-22	1,190,250	351,354
Due From Capital Fund	A-27	1,132,596	
Urban Development Action Grant Receivable	A-26	<u>2,650,000</u>	
Total Federal and State Grant Fund		<u>7,293,915</u>	<u>3,746,244</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 36,011,368</u></u>	<u><u>\$ 17,306,246</u></u>

See Accompanying Notes to Financial Statements.

**CITY OF HOBOKEN  
CURRENT FUND**

A

**COMPARATIVE BALANCE SHEETS**

		At December 31,	
	<u>Reference</u>	<u>2007</u>	<u>2006</u>
<b><u>LIABILITIES, RESERVES AND FUND BALANCE:</u></b>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3, A-14	\$ 539,996	\$ 1,755,008
Reserve for Encumbrances	A-3, A-14	550,656	915,828
Tax Anticipation Note Payable	A-15	17,000,000	
Prepaid Taxes	A-16	152,039	125,046
Interfunds Payable	A-10	106,442	804,585
Tax Overpayments	A-17	1,039,371	1,685,394
Promissory Note Payable - HICA	A-18	766,571	822,325
Various Reserves	A-19	369,951	312,137
		<hr/> 20,525,026	<hr/> 6,420,323
Reserve for Receivables	Contra	4,599,561	4,560,183
Fund Balance	A-1	<hr/> 3,592,866	<hr/> 2,579,496
Total Liabilities, Reserves and Fund Balance - Current Fund		<hr/> 28,717,453	<hr/> 13,560,002
Federal, State and County Grant Fund:			
Appropriation Reserves	A-24	3,509,366	2,539,668
Unappropriated Reserves	A-25	633,584	926,394
Reserve for Encumbrances	A-24	177,414	3,336
Reserve for Urban Development Action Grant	A-26	2,650,000	
Due to Current Fund	A-23	323,551	276,846
Total Federal, State and County Grant Fund		<hr/> 7,293,915	<hr/> 3,746,244
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<hr/> <hr/> \$ 36,011,368	<hr/> <hr/> \$ 17,306,246

See Accompanying Notes to Financial Statements.

**CITY OF HOBOKEN**  
**CURRENT FUND**

A-1

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**

		<b>For the Years Ended December 31,</b>	
	<b><u>Reference</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b><u>REVENUE AND OTHER INCOME REALIZED:</u></b>			
Fund Balance Utilized	A-2	\$ 2,000,000.00	\$ 400,000.00
Miscellaneous Revenue Anticipated	A-2	46,170,112.00	49,997,972.00
Receipts from Delinquent Taxes	A-2	5,829.00	58,784.00
Receipts from Current Taxes (Net of Added Taxes Anticipated)	A-2	100,330,854.00	88,724,641.00
Non-Budget Revenues	A-2	802,970.00	171,409.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-14	448,615.00	192,971.00
Unexpended Balance of Appropriations	A-3	13,694.00	
Adjustment to Cash Balance @ June 30, 2006	A-4	25,893.00	
Canceled Prior Year Grants Expended Prior Year	A-10	926,394.00	
Canceled Tax Overpayments	A-17	1,070,475.00	
Interfunds Returned			733,982.00
Total Revenue and Other Income Realized		<u>151,794,836.00</u>	<u>140,279,759.00</u>
<b><u>EXPENDITURES:</u></b>			
Budget Appropriations	A-3	79,560,479.00	75,049,365.00
Local District School Tax	A-20	33,450,000.00	31,750,000.00
County Taxes	A-21	35,088,113.00	34,095,601.00
Appropriation Difference (Net)	A-4	564.00	
Interfund Advances	A-10	323,551.00	276,846.00
Prior Year Tax Returned Check Voided	A-4	10,098.00	
Prior Year Seniors Disallowed	A-5	4,480.00	
Reinstatement of Grants Canceled Prior Year	A-10	756,170.00	
Reinstatement of O & M Trust Fund Canceled Prior Year	A-10	1,232,354.00	
Reinstatement of Fire Department Hazmat Trust	A-10	223,045.00	
Tax Appeals Judgments	A-17	25,314.00	139,207.00
Total Expenditures		<u>150,674,168.00</u>	<u>141,311,019.00</u>
Excess / (Deficit) in Revenues		1,120,668.00	(1,031,260.00)
<b><u>ADJUSTMENTS TO INCOME BEFORE FUND BALANCES:</u></b>			
Expenditures Included Above Which are Deferred			
Charges to Budget of Succeeding Year:			
Deficit in Operations			1,031,260.00
Overexpenditure of Appropriations	A-13	617,702.00	-
Emergency Appropriations	A-13	1,275,000.00	-
Total Expenditures		<u>1,892,702.00</u>	<u>1,031,260.00</u>
Statutory Excess / (Deficit) to Surplus		3,013,370.00	-
Fund Balance, Beginning of Year	A	<u>2,579,496.00</u>	<u>2,979,496.00</u>
		5,592,866.00	2,979,496.00
Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>2,000,000.00</u>	<u>400,000.00</u>
Fund Balance, End of Year	A	<u>\$ 3,592,866.00</u>	<u>\$ 2,579,496.00</u>

See Accompanying Notes to Financial Statements.

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-2

**STATEMENT OF 2007 REVENUES**

	<u>Reference</u>	Anticipated <u>Budget</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 2,000,000	\$ 2,000,000	-
Miscellaneous Revenues:				
LOCAL REVENUES				
Licenses:				
Alcoholic Beverages	A-9	268,240	264,456	(3,784)
Other	A-9	166,865	167,764	899
Fees and Permits	A-9	257,334	265,270	7,936
Zoning Board of Adjustment Fees	A-9	205,311	147,095	(58,216)
Planning Board Fees	A-9	56,839	31,153	(25,686)
Rent Leveling Fees	A-9	49,188	42,722	(6,466)
Fines and Costs:	A-9			
Municipal Court	A-9	3,605,670	3,788,055	182,385
Parking Tax	A-9	887,694	846,864	(40,830)
Interest and Costs on Taxes	A-9	161,550	323,788	162,238
Interest on Investments and Deposits	A-9	598,415	1,068,902	470,487
Riverview Cablevision Associates	A-9	163,418	173,113	9,695
Rents - City Owned Property	A-9	166,210	261,126	94,916
Crosstown Bus Line	A-9	12,638	9,109	(3,529)
SJP Properties - Block A - Phase I	A-9	947,332	936,000	(11,332)
SJP Properties - Block A - Phase II	A-9	947,332	936,000	(11,332)
SJP Properties/Applied - Block B	A-9	252,971	-	(252,971)
Applied Development Co. - South Waterfront - Block C	A-9	1,235,072	1,235,072	-
St. Mary's Hospital PILOT	A-9	40,000	40,000	-
PATH - NJ Transit	A-9	-	2,892	2,892
Grogan Marineview Plaza	A-9	522,058	622,769	100,711
Clocktowers	A-9	57,977	120,031	62,054
Marion Towers Associates	A-9	179,342	183,533	4,191
Church Towers Urban Renewal	A-9	458,264	463,094	4,830
Columbian Towers	A-9	106,071	114,573	8,502
Columbian Arms	A-9	34,438	27,464	(6,974)
Hudson Square North	A-9	51,823	108,037	56,214
Willow Avenue Associates - 800-812 Wilson Avenue	A-9	44,655	74,478	29,823
Applied Housing - 1203-1219 Willow Avenue	A-9	244,790	240,359	(4,431)
Applied Housing - 1201-1221 Washington Estates	A-9	411,375	389,078	(22,297)
Applied Housing - 1200-1220 Hudson Estates	A-9	429,067	360,474	(68,593)
Applied Housing - 1301-1309 Bloomfield Estates	A-9	128,730	143,024	14,294
Applied Housing - Midway 500-508 Adams Street	A-9	197,952	201,114	3,162
Applied Housing - Elysian Estates	A-9	32,032	47,118	15,086
Applied Housing - Church Square	A-9	125,399	104,798	(20,601)
Applied Housing - Eastview Associates	A-9	39,952	114,225	74,273
Applied Housing - Westview Associates	A-9	90,080	192,701	102,621
Applied Housing - Northvale I - 911-923 Clinton Street	A-9	367,634	361,755	(5,879)
Applied Housing - Northvale II - 901-919 Clinton Street	A-9	372,404	339,443	(32,961)
Applied Housing - Northvale III A	A-9	100,188	47,973	(52,215)
Applied Housing - Northvale III B - 1106-1014 Clinton Street	A-9	92,457	41,846	(50,611)
Applied Housing - Northvale IV - 58 11th Street	A-9	14,631	14,425	(206)
Pilot Pay 1300 Grand Street	A-9	904,947	683,203	(221,744)
Pilot Pay 1200 Grand Street	A-9	1,075,876	897,898	(177,978)
Hudson Square North - Mortgage Receivable	A-9	55,754	55,754	-

See Accompanying Notes To Financial Statements.

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-2

**STATEMENT OF 2007 REVENUES**

	<u>Reference</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Miscellaneous Revenues (Continued):				
Consolidated Municipal Property Tax Block Grant	A-9	13,260,177	13,260,177	-
Legislative Municipal Block Grant Aid	A-9	151,261	151,261	-
Energy Receipts Tax	A-9	2,169,897	2,169,897	-
Extraordinary Aid	A-9	150,000	150,000	-
Homeland Security Assistance Aid	A-9	140,000	140,000	-
Uniform Construction Code Fees	A-9	1,838,404	1,288,021	(550,383)
Hoboken Housing Authority - Public Safety	A-9	540,000	540,000	-
Hoboken Board of Education - Public Safety	A-9			-
Public Health Priority Funding	A-9	6,212	6,212	-
Summer Food Service Program	A-9	25,910	25,910	-
CDBG - Administrative Costs	A-9	100,000	100,000	-
SFY 2007 Roadway Improvement Project	A-9	450,000	450,000	-
UASI Rescue Training	A-9	15,320	15,320	-
Body Armor Replacement Fund	A-9	14,359	14,359	-
NFL Youth Football Grant	A-9	8,000	8,000	-
Walk Safe Hoboken/Pedestrian	A-9	18,000	18,000	-
Roadway Improvement Project - 8th Street	A-9	390,000	390,000	-
State Local Cooperative Housing Inspection Program	A-9	64,000	64,000	-
Recycling Tonnage	A-9	117,320	117,320	-
Hoboken Justice Assistance Grant	A-9	14,431	14,431	-
1118 Adams Street Urban Renewal	A-9	2,250,000	2,250,000	-
Save the Youth - 2007 Grant	A-9	197,446	197,446	-
September 11, 2001 Memorial	A-9	110,000	110,000	-
Hazardous Discharge Site Remediation	A-9	19,893	19,893	-
Secure our Schools Grant	A-9	134,634	134,634	-
Secure our Schools Grant - HBOE Match	A-9	134,635	134,635	-
Capital Surplus	A-9	276,846	276,846	-
Added Assessments	A-9	1,120,510	1,128,759	8,249
Reserve, Outside-Duty Police Administration	A-9	140,000	140,000	-
Sinatra Park Concession	A-9	42,000	35,000	(7,000)
Uniform Fire Safety Act	A-9	73,558	56,443	(17,115)
Anticipated Parking Utility Operating Surplus	A-9	5,358,059	4,775,000	(583,059)
SJP Properties Block A Phase 2	A-9	1,500,000	1,500,000	-
Total Miscellaneous	A-1	<u>46,990,847</u>	<u>46,170,112</u>	<u>(820,735)</u>
Receipts From Delinquent Taxes	A-1, Below		<u>5,829</u>	<u>5,829</u>
Amt. to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes Including				
Reserve for Uncollected Taxes	Below	<u>28,832,265</u>	<u>31,948,077</u>	<u>3,115,812</u>
NON BUDGET REVENUES	A-1, Below	<u>-</u>	<u>802,970</u>	<u>802,970</u>
BUDGET TOTALS	A-3	<u>\$ 77,823,112</u>	<u>\$ 80,926,988</u>	<u>\$ 3,103,876</u>

See Accompanying Notes To Financial Statements.

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-2

**STATEMENT OF REVENUES**

**ANALYSIS OF REALIZED REVENUE**

Allocation of Current Tax Collections:		
Current Tax Revenue	A-5	\$ 101,459,613.00
Less: Added Assessments Anticipated as Revenue	Above	<u>(1,128,759)</u>
Taxes Receivable	A-1	\$ 100,330,854.00
Less: Allocated to School and County Taxes	A-5	(68,538,113.00)
Add: Appropriation for Uncollected Taxes	A-3	<u>155,336</u>
Amount for Support of Municipal Budget Appropriations	Above	<u><u>\$ 31,948,077</u></u>
Receipt from Delinquent Taxes:		
Delinquent Taxes	Above	\$ 5,829
Tax Title Liens		<u></u>
Amount for Support of Municipal Budget Appropriations	Above	<u><u>\$ 5,829</u></u>

**ANALYSIS OF NON-BUDGETED REVENUES**

Unanticipated PILOTS		\$153,859
Miscellaneous Bank Fee Refunds		370
Tax Anticipation Note Premium		2,720
Dividend- Prudential Bond		3,429
Deposit Return Chargebacks/ Adjustments		32
Department of Transportation- Prior Year Expended Grant		605,120
Public Safety Police		12,929
Hoboken Historic		1,250
Telephone Commissions		5,000
Tax Searches		1,470
Variances- Tax Office		640
Duplicate Bills		6,380
Lien Calculations		4,319
Duplicate Tax Sale Certificate		3,500
Misc- Restitution Payment		<u>1,952</u>
Total Non-Budgeted Revenues	A-1, A-4	<u><u>\$802,970</u></u>

See Accompanying Notes to Financial Statements.

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-3

**STATEMENT OF EXPENDITURES**

<u>Expenditures</u>	<u>Ref.</u>	<u>APPROPRIATIONS</u>		<u>Paid or Charged</u>	<u>EXPENDED</u>		<u>Canceled</u>
		<u>Budget</u>	<u>Modified Budget</u>		<u>Encumbered</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"							
GENERAL GOVERNMENT FUNCTIONS:							
Mayor's Office							
Salaries and Wages		\$ 168,000	\$ 168,000	\$ 167,205	\$ -	\$ 795	\$
Other Expenses		95,000	95,000	37,620	15,842	41,538	
City Council							
Salaries and Wages		206,200	207,700	207,431		269	
Other Expenses		8,500	7,000	6,831		169	
City Clerk's Office							
Salaries and Wages		445,000	415,500	415,313		187	
Other Expenses		7,000	8,000	7,007	523	470	
Other Expenses - Legal Advertising		28,000	27,000	23,157	3,474	369	
Other Expenses - Codification of Ordinances		10,000	11,000	5,763	4,889	348	
Salaries and Wages - Elections		30,000	45,210	45,209		1	
Other Expenses - Elections (Emergency \$100,000)		50,000	150,000	108,080	13,121	28,799	
Business Administrator's Office							
Salaries and Wages		316,500	319,000	318,603		397	
Other Expenses		40,000	38,000	37,149	536	315	
Purchasing							
Salaries and Wages		112,300	112,900	112,841		59	
Other Expenses		3,500	3,500	1,643	923	934	
Personnel and Health Benefits							
Salaries and Wages		208,500	205,000	204,724		276	
Other Expenses		2,500	2,500	1,504		996	
Constituent Services							
Salaries and Wages		164,000	163,800	163,715		85	
Other Expenses		5,000	5,000	4,250	469	281	
Zoning Administration							
Salaries and Wages		95,000	89,000	88,854		146	
Other Expenses		2,400	2,900	1,869	120	911	
Uniform Construction Code Appropriations Offset by							
Dedicated Revenues (N.J.A.C. 5:23-4.17)							
Salaries and Wages		700,000	674,000	673,887		113	
Other Expenses		938,000	387,000	363,513	23,007	480	
Corporation Counsel							
Salaries & Wages		407,800	416,810	416,803		7	
Other Expenses		23,000	25,500	24,747	710	43	
Other Expenses - Special Counsel		850,000	1,125,000	820,785	13,661	290,554	
Other Expenses - Expert Witness and Appraisal		19,000	11,700	3,500	8,105	95	
Revenue and Finance Director							
Salaries & Wages		235,000	233,000	232,939		61	
Other Expenses		328,000	323,500	320,732	2,617	151	
Annual Audit							
Other Expenses		115,000	115,000	114,991		9	

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See Accompany Notes to Financial Statements.

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-3

**STATEMENT OF EXPENDITURES**

		APPROPRIATIONS			EXPENDED		
<u>Expenditures</u>	<u>Ref.</u>	<u>Budget</u>	<u>Modified Budget</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS WITHIN "CAPS" (cont'd)							
GENERAL GOVERNMENT FUNCTIONS:							
Accounts and Control							
Salaries & Wages		\$ 75,300	\$ 75,300	\$ 75,214	\$ -	\$ 86	
Other Expenses		2,500	2,500	405	1,500	595	
Payroll							
Salaries & Wages		87,000	86,500	86,184		316	
Other Expenses		500	500	15	35	450	
Tax Collections							
Salaries & Wages		310,000	308,890	308,884		6	
Other Expenses		40,000	30,600	28,150	2,380	70	
Information Technology							
Salaries & Wages		83,100	83,600	83,534		66	
Other Expenses		2,000	2,000	1,997		3	
Office of the Tax Assessor							
Salaries & Wages		312,300	310,300	310,242		58	
Other Expenses		25,000	24,000	15,892	7,804	304	
Department of Human Services							
Director's Office							
Salaries & Wages		173,000	173,000	172,980		20	
Other Expenses		2,500	2,500	1,694	535	271	
Rent Leveling							
Salaries & Wages		182,600	177,050	177,040		10	
Other Expenses		52,000	56,000	47,176	8,813	11	
Housing Inspections							
Salaries & Wages		85,300	85,300	84,848		452	
Other Expenses		2,500	2,500	1,474	293	733	
Transportation							
Salaries & Wages		237,100	238,500	238,490		10	
Other Expenses		7,000	7,000	6,514	121	365	
Health							
Salaries & Wages		474,500	459,700	459,682		18	
Other Expenses		115,000	104,500	93,737	10,627	136	
Senior Citizens							
Salaries & Wages		368,000	382,200	382,156		44	
Other Expenses		26,000	21,500	18,851	2,533	116	
Hispanic and Minority Affairs							
Salaries & Wages						-	
Other Expenses		3,500	700	471	208	21	
Recreation and Cultural Affairs							
Salaries & Wages		680,000	779,050	779,029		21	
Other Expenses		375,000	375,000	371,146	3,683	171	

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See Accompany Notes to Financial Statements.



CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-3

**STATEMENT OF EXPENDITURES**

<u>Expenditures</u>	<u>Ref.</u>	<u>APPROPRIATIONS</u>		<u>Paid or Charged</u>	<u>EXPENDED</u>		<u>Canceled</u>
		<u>Budget</u>	<u>Modified Budget</u>		<u>Encumbered</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS" (cont'd)							
Department of Environmental Services							
Director's Office							
Salaries & Wages		\$ 530,000	\$ 518,700	\$ 518,604	\$ -	\$ 96	
Other Expenses		2,500	2,500	1,468	831	201	
Parks							
Salaries & Wages		748,000	713,500	713,456		44	
Other Expenses		125,000	121,900	117,893	3,943	64	
Public Property							
Salaries & Wages		705,000	775,000	774,647		353	
Other Expenses		210,000	210,000	202,007	6,536	1,457	
Streets and Roads							
Other Expenses		60,000	70,500	574,502	98,785	(602,787)	
Signal and Traffic							
Salaries & Wages		-	-			-	
Other Expenses		-	-	(125)		125	
Central Garage							
Salaries & Wages		147,000	163,560	163,556		4	
Other Expenses		210,000	206,900	162,566	34,258	10,076	
Sanitation							
Salaries & Wages		1,667,000	1,653,450	1,653,413		37	
Other Expenses		3,000,000	2,951,700	2,950,444	945	311	
Department of Community Development							
Director's Office							
Salaries & Wages		167,900	171,900	171,525		375	
Other Expenses		123,000	123,000	120,881	1,950	169	
Grants Management							
Salaries & Wages		94,100	70,100	69,679		421	
Other Expenses		2,000	2,000	1,375	390	235	
Waterfront Development							
Other Expenses		50,000	54,950	52,835	2,079	36	
Planning Board							
Salaries & Wages		93,300	90,300	89,681		619	
Other Expenses		60,000	44,500	44,293	45	162	
Zoning Board of Adjustment							
Other Expenses		84,650	84,650	83,750		900	
Historical Preservation Committee							
Other Expenses		400	800	303	408	89	

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See Accompany Notes to Financial Statements.

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-3

**STATEMENT OF EXPENDITURES**

	Ref.	APPROPRIATIONS		Paid or Charged	EXPENDED		Canceled
		Budget	Modified Budget		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS" (cont'd)							
Department of Public Safety							
Police							
Salaries and Wages (Emergency \$350,000)		\$ 12,960,000	\$ 13,621,200	\$ 13,621,154	\$ -	\$ 46	
Other Expenses		450,000	450,000	441,608	8,385	7	
Acquisition of Police Vehicles		18,000	13,000	11,973	867	160	
Fire							
Salaries and Wages (Emergency \$300,000)		13,120,000	13,231,300	13,243,706		(12,406)	
Other Expenses		258,000	258,000	224,236	28,270	5,494	
Uniform Fire Safety Act (c.383, PL 1938)							
Salaries and Wages		73,558	73,558	73,558		-	
Office of Emergency Management							
Salaries and Wages		92,000	104,375	104,374		1	
Other Expenses		2,000	2,000	1,643		357	
Municipal Court							
Salaries and Wages		917,000	928,250	928,229		21	
Other Expenses		120,000	120,000	97,154	17,347	5,499	
Public Defender							
Salaries and Wages		60,500	60,500	60,350		150	
Other Expenses		3,000	3,000	2,425	450	125	
Insurance (N.J.S.A. 40A:4-45.3(00))							
General Liability		700,000	705,000	681,163	4,250	19,587	
Workers Compensation		550,000	550,000	549,562		438	
Employee Group Health		9,950,000	10,850,000	10,850,000		-	
Unclassified							
Alcoholic Beverage Control Board							
Salaries and Wages		7,100	7,100	7,000		100	
Other Expenses		15,000	11,500	11,351		149	
Volunteer Ambulance (NJSA 40:5-2)		40,000	40,000	40,000		-	
North Hudson Regional Council of Mayors							
Other Expenses		56,692	56,692	56,690		2	
Claims Against City		75,000	75,000	74,956		44	
Towing & Storage of Abandoned Vehicles		2,000	(1,500)	(1,547)		47	
Unemployment Compensation Insurance		70,000	47,500	47,371		129	
NJ Right To Know		5,000	-			-	
Engineering		120,000	120,000	119,362		638	
Municipal Dues and Memberships		12,215	10,715	10,111	331	273	
Celebration Of Public Events		55,720	52,420	49,433	2,964	23	
Postage		120,000	106,500	106,157		343	
Office Machines		55,000	48,500	48,426		74	
Stationary and Office Supplies		5,000	5,000	4,764		236	
Electricity		420,000	420,000	419,610		390	
Street Lighting		455,000	433,000	432,277		723	
Gasoline		237,000	237,000	235,243		1,757	
Fuel		25,000	26,500	26,115		385	
Water and Sewer		15,000	2,000	1,869		131	
Communications		210,000	210,000	209,963		37	
Telecommunication Equipment		10,000	10,000	8,340	450	1,210	
Master Plan - Redevelopment		25,000	52,950	52,911		39	
Total Operations within "CAP"		58,724,535	60,147,180	59,994,760	340,013	(187,593)	-

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See Accompany Notes to Financial Statements.

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-3

**STATEMENT OF EXPENDITURES**

	APPROPRIATIONS			EXPENDED			
Expenditures	Ref.	Budget	Modified Budget	Paid or Charged	Encumbered	Reserved	Canceled
OPERATIONS WITHIN "CAPS" (cont'd)							
Salary Adjustment		\$ 1,504,399	\$ 1,288,254	\$ 1,265,654		\$ 22,600	
Contingent		4,000	4,000	3,947		53	
<b>Total Operations Including Contingent within "CAPS"</b>		<u>60,232,934</u>	<u>61,439,434</u>	<u>61,264,361</u>	<u>340,013</u>	<u>(164,940)</u>	<u>-</u>
Detail:							
Salaries and Wages		37,465,400	38,318,545	38,325,181	-	(6,636)	-
Other Expenses		22,767,534	23,120,889	22,939,180	340,013	(158,304)	-
(E) Deferred Charges and Statutory Expenditures-							
Municipal within "CAPS"							
<u>(2) STATUTORY EXPENDITURES:</u>							
Deferred Charges:							
Deficit in Operations		427,423	427,423	427,423		-	
Overexpended Improvement Authorization		6,442	6,442	6,442		-	
Statutory Expenditures:							
Contribution to:							
Social Security System (O.A.S.I.)		942,000	1,010,500	1,010,467		33	
Total Deferred Charges and Statutory Expenditures		<u>1,375,865</u>	<u>1,444,365</u>	<u>1,444,332</u>	<u>-</u>	<u>33</u>	<u>-</u>
<b>(H-1) TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>		<u>61,608,799</u>	<u>62,883,799</u>	<u>62,708,693</u>	<u>340,013</u>	<u>(164,907)</u>	<u>-</u>

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See Accompany Notes to Financial Statements.

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-3

**STATEMENT OF EXPENDITURES**

		APPROPRIATIONS			EXPENDED		
Expenditures	Ref.	Budget	Modified Budget	Paid or Charged	Encumbered	Reserved	Canceled
(A) Operations - Excluded from "CAPS"							
GENERAL GOVERNMENT							
Maintenance- Free Public Library							
Salaries and Wages		\$ 838,000	\$ 798,000	\$ 795,339	\$ -	\$ 2,661	\$ -
Other Expenses		762,000	802,000	515,100	210,643	76,257	
Social Security			-			-	
Police/Firemen's Retirement		3,698,858	3,698,858	3,696,931		1,927	
Public Employees Retirement		363,719	363,719	363,719		-	
Hoboken Housing Authority							
Police Salaries and Wages		540,000	540,000	540,000		-	
Hoboken Board of Education							
Police Salaries and Wages						-	
Judgements		130,000	130,000	130,000		-	
		6,332,577	6,332,577	6,041,089	210,643	80,845	-
PUBLIC AND PRIVATE REVENUES OFF-SET BY REVENUES							
Summer Food Service		25,910	25,910	25,910		-	
UASI Rescue Training		15,320	15,320	15,320		-	
Public Health Priority Fund		6,212	6,212	6,212		-	
Section 8 Housing Admin. Cost		100,000	100,000	100,000		-	
Body Armor Replacement Fund		14,359	14,359	14,359		-	
NFL Youth Football Grant		8,000	8,000	8,000		-	
Walk Safe - Hoboken/Pedestrian		18,000	18,000	18,000		-	
Hoboken Justice Assistance Grant		14,431	14,431	14,431		-	
1118 Adams Street Urban Renewal		2,250,000	2,250,000	2,250,000		-	
Save the Youth		197,446	197,446	197,446		-	
September 11, 2001 Memorial		110,000	110,000	110,000		-	
Hazardous Discharge Site Remediation		19,893	19,893	19,893		-	
Secure Our Schools Grant		269,269	269,269	269,269		-	
SFY 2007 Roadway Improvement Project		450,000	450,000	450,000		-	
8th Street Roadway Improvements		390,000	390,000	390,000		-	
Recycling Tonnage		117,320	117,320	117,320		-	
Grant Match		20,000	20,000	20,000		-	
State Local Cooperative Housing Inspection Program		64,000	64,000	64,000		-	
		4,090,160	4,090,160	4,090,160	-	-	-
Total Operations - Excluded from "CAPS"		10,422,737	10,422,737	10,131,249	210,643	80,845	-
Detail:							
Salaries and Wages		-	-	-	-	-	-
Other Expenses		10,422,737	10,422,737	10,131,249	210,643	80,845	-

(Continued Next Page)

See Accompany Notes to Financial Statements.

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-3

**STATEMENT OF EXPENDITURES**

		APPROPRIATIONS			EXPENDED			
	Expenditures	Ref.	Budget	Modified Budget	Paid or Charged	Encumbered	Reserved	Canceled
OPERATIONS EXCLUDED FROM "CAPS" (Cont'd)								
(C) Capital Improvement Fund - Excluded from "CAPS"								
	Capital Improvement Fund - Down Pmt on Improvements		\$ 100,000	\$ 100,000	\$ 91,135	\$ -	\$ 8,865	\$ -
(D) Municipal Debt Service								
	Payment of Bond Principal		1,355,000	1,355,000	1,355,000		-	
	Payment of Bond Anticipation Notes and Capital Notes		225,000	225,000	215,000		-	10,000
	Interest on Bonds		2,289,252	2,289,252	2,289,262		(10)	
	Interest on Notes		464,200	464,200	463,753		-	447
	Notes Payable - Hudson County Improvement Authority		915,631	915,631	918,130		(2,499)	
	Loan Repayment for Principal and Interest		192,684	192,684	189,437		-	3,247
	Underground Storage Tanks		24,474	24,474	24,474		-	
			5,466,241	5,466,241	5,455,056	-	(2,509)	13,694
(E) Deferred Charges - Municipal - Excluded from "CAPS"								
	Special Emergency Authorizations- 5 years (N.J.S. 40A:4-55)		70,000	70,000	70,000		-	-
Local District School Purposes Excluded from "CAPS"								
	Type I District School Debt							
	Payment - Bond Principal						-	
	Interest on Bonds						-	
	Total Local District School Purposes Excluded from "CAPS"		-	-	-	-	-	-
(H-2) TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES - EXCLUDED FROM "CAPS"								
			16,058,978	16,058,978	15,747,440	210,643	87,201	13,694
(L) Subtotal General Appropriations								
			77,667,777	78,942,777	78,456,133	550,656	(77,706)	13,694
(M) Reserve for Uncollected Taxes								
	A-2		155,336	155,336	155,336	-	-	-
TOTAL GENERAL APPROPRIATIONS								
			\$ 77,823,113	\$ 79,098,113	\$ 78,611,469	\$ 550,656	\$ (77,706)	\$ 13,694
	Ref.		A-2	Below	Below	A	A, Below	A-1
Analysis of Paid or Charged								
	Cash Disbursements	A-4			\$ 72,200,075	Overexpended	\$ (617,702)	
	Non Cash State Aid- Debt Service	A-9			3,270,631	Reserved	539,996	
	Budget Refunds	A-4			(1,327,278)	Above	\$ (77,706)	
	Reserve for Uncollected Taxes	Above, A-2			155,336			
	General Capital Deferred Charge	A-10			6,442			
	Deferred Charges	A-13			497,423			
	Grants	A-10			3,808,840			
		Above			\$ 78,611,469			
Adopted Budget								
	A-2			\$ 77,823,113				
Emergency Authorization								
	A-13			1,275,000				
Modified Budget								
	Above			\$ 79,098,113				

See Accompany Notes to Financial Statements.

**Trust Fund**

**Exhibits**

**City of Hoboken  
Hudson County, New Jersey  
Trust Fund**

**COMPARATIVE BALANCE SHEET**

				B			
Balance, June 30				Balance, June 30			
Reference	2007	2006		Reference	2007	2006	
<u>ASSETS</u>				<u>LIABILITIES AND RESERVES</u>			
<u>Animal Control Trust Fund:</u>				<u>Animal Control Trust Fund:</u>			
Cash	B-1	\$ 23,045	\$ 14,354	Due to Current Fund	B-2	\$ 5,769	\$ -
				Due to State of New Jersey	B-4	234	368
				Reserve for Animal Control Expenditures	B-5	17,042	13,986
Total		<u>\$ 23,045</u>	<u>\$ 14,354</u>	Total		<u>\$ 23,045</u>	<u>\$ 14,354</u>
<u>Other Trust Fund:</u>				<u>Other Trust Fund:</u>			
Cash	B-1	\$ 4,669,170	\$ 4,797,216	Reserve for Other Trust Fund Deposits	B-6	\$ 4,669,170	\$ 4,797,216
Total		<u>\$ 4,669,170</u>	<u>\$ 4,797,216</u>	Total		<u>\$ 4,669,170</u>	<u>\$ 4,797,216</u>
<u>Section 8 - Housing Assistance Program:</u>				<u>Section 8 - Housing Assistance Program:</u>			
Cash	B-1	\$ 1,324,219	\$ 1,571,143	Due to Community Development Block Grant Trust Fund	B-7	\$ 19,526	\$ 33,718
				Due to Current Fund	B-10	35,421	
				Due to Grantor - Section 8 Housing Assistance	B-11	\$ 47,711	
				Res. for Sect 8 - Housing Assistance Program-Excess	B-9	1,221,561	1,537,425
Total		<u>\$ 1,324,219</u>	<u>\$ 1,571,143</u>	Total		<u>\$ 1,324,219</u>	<u>\$ 1,571,143</u>
<u>Community Development Block Grant Trust Fund:</u>				<u>Community Development Block Grant Trust Fund:</u>			
Grant Receivable	B-3	\$ 412,951	\$ 564,636	Reserve for Community Development Block Grant	B-8	\$ 432,477	\$ 598,354
Due from Section 8 - Housing Assistance Program	B-7	19,526	33,718				
Total		<u>\$ 432,477</u>	<u>\$ 598,354</u>	Total		<u>\$ 432,477</u>	<u>\$ 598,354</u>

## **General Capital Fund**

### **Exhibits**



**City of Hoboken  
County of Hudson, New Jersey  
General Capital Fund**

**COMPARATIVE BALANCE SHEET**

		<b>June 30,</b>	
	<b>Reference</b>	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>			
Cash	C-1, C-2	\$ 4,550,595	\$ 5,219,559
Deferred Charges - Overexpenditure of Ordinances	C-10	-	6,442
Due from Current Fund	C-11	106,442	804,585
Deferred Charges to Future Taxation:			
Funded	C-3	47,870,429	49,317,690
Unfunded	C-4	19,979,503	20,194,503
<b>TOTAL ASSETS</b>		<b>\$ 72,506,969</b>	<b>\$ 75,542,779</b>
<b>LIABILITIES, RESERVE AND FUND BALANCE</b>			
Improvement Authorization:			
Funded	C-7	\$ 655,304	\$ 933,404
Unfunded	C-7	4,785,913	7,237,327
Reserve for Encumbrances	C-7	177,454	354,031
Due to Grant Fund	C-12	1,132,595	-
Bond Anticipation Notes Payable	C-8	17,440,000	17,655,000
General Serial Bonds	C-9	45,707,442	47,062,442
Green Acres Loans Payable	C-13	2,065,094	2,132,881
Underground Storage Tank Loan Payable	C-14	97,893	122,367
Capital Improvement Fund	C-5	-	-
Reserve for Hazmat Funds Due from Grant	C-12	17,630	-
Reserve for Payment of BAN's - ADA Library	C-6	100,000	-
Reserve for Green Acres - 1600 Adams Street	C-1	200,000	-
Fund Balance	C-1A	127,644	45,327
<b>TOTAL LIABILITIES, RESERVE AND FUND BALANCE</b>		<b>\$ 72,506,969</b>	<b>\$ 75,542,779</b>

*There were bonds and notes authorized but not issued on June 30, 2007 and 2006 in the amounts of \$2,539,503 and \$2,539,503, respectively (Schedule C-15).*

See Accompanying Notes

**City of Hoboken  
Hudson County, New Jersey  
General Capital Fund**

**Statement of Fund Balance**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	C	\$ 45,327
Increased by:		
Premium on Sale of Bonds	C-1	<u>82,317</u>
		127,644
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-5	<u>-</u>
Balance, June 30, 2007	C	<u><u>\$ 127,644</u></u>

See Accompanying Notes

## **Parking Utility Funds**

### **Exhibits**

**City of Hoboken  
County of Hudson, New Jersey  
Parking Utility Fund**

**COMPARATIVE BALANCE SHEET**

		<b>June 30,</b>	
	<b>Reference</b>	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>			
Operating Fund			
Cash	D-4	\$ 1,690,181	\$ 1,511,550
Prepaid Interest	D-3		575,283
Deferred Charge	D-5	158,731	204,516
Total Assets		<u>\$ 1,848,912</u>	<u>\$ 2,291,349</u>
Capital Fund:			
Fixed Capital	D-6	<u>\$ 42,957,185</u>	<u>\$ 42,957,185</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 42,957,185</u></u>	<u><u>\$ 42,957,185</u></u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Operating Fund			
Appropriation Reserves	D-3	\$ 244,337	-
Security Deposits	D-7	233,776	\$ 170,079
Accrued Interest Payable	D-8	784,441	784,583
Fund Balance	D-1	586,358	1,336,687
Total Liabilities and Fund Balance		<u>\$ 1,848,912</u>	<u>\$ 2,291,349</u>
Capital Fund:			
Bonds Anticipation Notes Payable	D-9	\$ 5,000,000	\$ 5,175,000
Bonds Payable	D-10	22,935,000	23,885,000
Reserve for Amortization	D-11	15,022,185	13,897,185
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u><u>\$ 42,957,185</u></u>	<u><u>\$ 42,957,185</u></u>

*There were no bonds and notes authorized but not issued at June 30, 2007 and 2006.*

See Accompanying Notes

**City of Hoboken**  
**County of Hudson, New Jersey**  
**Parking Utility Fund**

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - OPERATING FUND**

		<b>June 30,</b>	
	<b>Reference</b>	<b>2007</b>	<b>2006</b>
<b>REVENUE AND OTHER INCOME:</b>			
Fund Balance Utilized	D-2	\$ 1,041,096	\$ 114,500
Revenues Anticipated	D-4	11,969,978	11,107,838
Cancellation of Appropriation	D-3	715,709	
		<u>\$ 13,726,783</u>	<u>\$ 11,222,338</u>
<b>EXPENDITURES:</b>			
Budget Appropriations	D-3	\$ 13,436,016	<u>\$ 11,128,531</u>
		<u>\$ 13,436,016</u>	
Excess (Deficit) in Revenue		290,767	93,807
Deferred Charges to Succeeding Year	D-5	<u>-</u>	<u>204,516</u>
		290,767	298,323
Fund Balance, Beginning of Year	D	1,336,687	1,451,187
Decreased by:			
Utilization as Anticipated Revenue	D-2	<u>1,041,096</u>	<u>114,500</u>
Fund Balance, End of Year	D	<u><u>\$ 586,358</u></u>	<u><u>\$ 1,336,687</u></u>

See Accompanying Notes

**City of Hoboken**  
**Hudson County, New Jersey**  
**Parking Utility Fund**

**Statement of Revenues - Operating Fund**

Year Ended June 30, 2007

	<u>Reference</u>	<u>Anticipated</u>		<u>Excess or (Deficit)</u>
		<u>Budget</u>	<u>Realized</u>	
Operating Surplus Anticipated	D-1	\$ 1,041,096	\$ 1,041,096	\$ -
Parking Fees - Continuing Operations	D-1	8,791,920	8,557,497	(234,423)
Parking Fees - Midtown Garage	D-1	2,150,500	1,770,020	(380,480)
Parking Fees - 916 Garden Street	D-1	320,000	297,327	(22,673)
Permits	D-1	627,500	730,251	102,751
Coupons	D-1	325,000	382,147	57,147
Miscellaneous	D-1	5,000	555	(4,445)
Interest on Investments	D-1	25,000	58,181	33,181
St. Mary Rental Agreement	D-1	150,000	174,000	24,000
	D-3	<u>\$ 13,436,016</u>	<u>\$ 13,011,074</u>	<u>\$ (424,942)</u>

See Accompanying Notes

**City of Hoboken**  
**Hudson County, New Jersey**  
**Parking Utility Fund**

**Statement of Expenditures - Operating Fund**

Year Ended June 30, 2007

	<b>Budget</b>	<b>Modified</b>	<b>Paid or</b>	<b>Reserve</b>	<b>Cancelled</b>
	<b>Appropriations</b>	<b>Budget</b>	<b>Charged</b>		
Operating:					
Salaries and Wages	\$ 1,676,500	\$ 1,804,800	\$ 1,804,784	\$ 16	\$ -
Other Expenses	2,400,000	2,704,200	2,460,051	244,149	-
Other Expenses - Group Health Benefits	660,000	477,500	477,328	172	-
Capital Projects	250,000	-	-	-	-
				-	-
Debt Service:				-	-
Payment of Bond Principal	950,000	950,000	950,000	-	-
Interest on Bonds	1,150,566	1,150,566	1,150,566	-	-
Interest on Notes	350,000	350,000	217,350		132,650
Payment of Note Principal	175,000	175,000	175,000	-	-
				-	-
Statutory Expenditures:				-	-
Public Employee's Retirement System	87,500	87,500	87,500	-	-
Social Security	133,875	133,875	133,875	-	-
Unemployment Compensation	40,000	40,000	40,000	-	-
				-	-
Deferred Charges:				-	-
Expenditure without Appropriation	204,516	204,516	204,516	-	-
				-	-
Surplus (General Budget)	5,358,059	5,358,059	4,775,000	-	583,059
	<u>\$ 13,436,016</u>	<u>\$ 13,436,016</u>	<u>\$ 12,475,970</u>	<u>\$ 244,337</u>	<u>\$ 715,709</u>
<b>Reference</b>	D-2	D-2	Below	D	D-1
Cash Disbursements	D-4		\$ 11,696,313		
Prepaid Interest	D		575,283		
Deferred Charges	D-5		204,516		
Accrued Interest	D-7		(142)		
Above			<u>\$ 12,475,970</u>		

See Accompanying Notes

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

**1. Summary of Significant Accounting Policies**

***A. Introduction***

Incorporated as a city in 1855, the City of Hoboken is a municipality located in Hudson County, New Jersey. As a municipality, the City functions independently through a Mayor-Council form of government adopted by the electorate at a referendum held in November 1952, pursuant to New Jersey Statutes Annotated ("N.J.S.A.") Title 40:69A-31 through 40:69A-67.2. The governing body consists of nine elected council members, six of which represent each of the City's six wards, and three of which are elected "at large." The ward council members are elected to concurrent four-year terms, which begin on June 30 of the year before a leap year. The at-large council members are elected with the mayor, to concurrent four-year terms, which begin on June 30 of the year after a leap year. The mayor does not vote on council matters. The purpose of the City is to provide general municipal services and conduct general municipal affairs, as provided for by the City's departments: Administration, Environmental Services, and Human Services. In July 2001, a fourth City department, Community Development, was created through the transfer of several divisions from the Administration and Human Services departments.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Codification established the reporting model to be used by general-purpose governmental units when reporting financial position and results of operations in conformity with accounting principles generally accepted in the United States (GAAP).

The financial statements of the City of Hoboken, New Jersey (the "City") have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("the Division"). The principles and practices prescribed by the Division are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds.

***B. Description of Funds***

The accounts of the City are maintained in accordance with the Division's principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The Division's principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. In addition, the Division also requires the establishment of the General Fixed Assets Account Group. The General Fixed Assets Account Group is a financial reporting device designed to provide accountability for certain fixed assets and the investment in those fixed assets that are not recorded in the funds because they do not directly affect net expendable available financial resources.



CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**1. Summary of Significant Accounting Policies (continued)**

***B. Description of Funds (continued)***

Under this method of accounting, the City accounts for its financial transactions through the following four separate funds and account group, which differ from the fund structure and reporting model required by GAAP.

*Current Fund* – Accounts for all revenues and expenditures applicable to the general operations of City departments and agencies. Federal and state grant awards are included in the Current Fund as the Federal and State Grant Fund.

*Trust Funds* – Account for assets held by the City in a trustee capacity or as an agent for individuals or other government agencies. Funds held by the City which have restrictions placed on the use of such funds are recorded in the Trust Funds.

*General Capital Fund* – Accounts for financial resources to be used for the acquisition of general capital facilities. The major resources are derived from the sale of serial bonds and bond anticipation notes.

*Parking Utility Operating and Capital Funds* – Account for the operations and acquisition of capital facilities of the parking utility.

*General Fixed Assets Account Group* – Accounts for all fixed assets purchased by the Current Fund and the General Capital Fund.

***C. Basis of Accounting***

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local governmental units. Except where noted below, the modified accrual basis of accounting is used. The more significant differences are as follows:

*Revenues* – Revenues are recorded when received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City, which are susceptible to accrual are also recorded as receivables with offsetting reserves and are recorded as revenue when received.

*Under GAAP, the modified accrual basis of accounting requires that revenues be recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.*

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**1. Summary of Significant Accounting Policies (continued)**

***C. Basis of Accounting (Continued)***

*Expenditures* – Expenditures are recorded in the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Outstanding encumbrances at June 30 are reported as a cash liability in the financial statements and constitute part of the City's statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at June 30 of each year and recorded as liabilities, except for amounts, which may be canceled by the governing body. Appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

*Under GAAP, the modified accrual basis of accounting requires that expenditures in the Current Fund be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due. Additionally, appropriation reserves are not established under GAAP.*

*Property Acquired for Taxes* – Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved.

*GAAP would require such property to be recorded at its fair value at the time of acquisition.*

*Interfunds* – Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

*GAAP would not require the establishment of an offsetting reserve for interfund receivables.*

*Inventories of Supplies* - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

*General Fixed Assets* – Fixed Assets used in governmental operations (general fixed assets) would be accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems would not be capitalized. All fixed assets would be valued at historical cost or estimated historical cost if actual historical cost is not available, except for land, which would be valued at estimated fair value. No depreciation would be provided for in the financial statements. Expenditures for construction in progress would be recorded in the General Capital Fund until such time as the construction is completed and put into operation. Fixed assets acquired through grants in aid or contributed capital would not be accounted for separately.

*Under GAAP, different accounting treatment would apply to certain items. For instance, construction in progress would be recorded as a capital asset in the Statement of Net Assets.*

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**1. Summary of Significant Accounting Policies (continued)**

***C. Basis of Accounting (Continued)***

*Fixed Assets – Parking Utility Fund* – Property and equipment purchased by the Utility Funds are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not propose to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the costs of acquisition of property, equipment and improvements. The utility does not record depreciation on fixed assets.

*GAAP does not require the establishment of a reserve for amortization of fixed capital, whereas it does require the recognition of depreciation of property and equipment by the utility funds.*

*Reserve for Payment of Insurance Claims* – Cash held by the municipality for the payment of future insurance claims is offset by a reserve in the Trust Fund.

*Insurance claims incurred are not recorded as a liability but would be recorded as a liability under GAAP.*

*Compensated Absences* – Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid.

*GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation in the Statement of Net Assets.*

***D. Reporting Entity***

GASB Statement 14 establishes criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division requires the financial statements of the City to be recorded separately. The financial statements of the City include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the City, as required by the provisions of N.J.S. 40A: 5-5.

The primary criterion for including activities within the City's reporting entity, as set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City.

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**1. Summary of Significant Accounting Policies (continued)**

Based on the aforementioned criteria, the financial statements of the following entities would be shown as component units on the City's financial statements under GASB Statement 14. Financial statements for the entities listed below can be obtained from the respective entity's chief financial officer or secretary to the board.

Hoboken Housing Authority  
Hoboken Library

***E. Statutory-Basis Financial Statements***

The GASB Codification also defines the financial statements of a governmental unit to be presented in the statutory-basis financial statements to be in accordance with GAAP. The City presents the statutory-basis financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the statutory-basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

***F. Budgets/Budgetary Control***

As required by N.J.S.A. 40A: 4-1 et seq., the Local Budget Law, the annual budget is introduced by resolution, submitted to the Division for approval, advertised, heard publicly at least 10 days later, and finally adopted. Amendments, if any, must be made prior to budget adoption, and go through a similar process as permitted by N.J.S.A. 40A: 4-9. This process is supposed to begin no later than August 10 of the City's Budget year and must take at least 28 days before the budget may be adopted. A temporary budget is permitted until the budget is adopted. Budget revenues use the cash basis, and appropriations use the modified accrual basis of accounting. The legal level of budgetary control is established at individual appropriations. Transfers of appropriations may be made by City resolution only during May and June. Additional budget revenues and appropriations after adoption may only be made with Division approval pursuant to N.J.S.A. 40A 4-46, 53 or 54 (emergencies) or N.J.S.A. 40A 4-87 (grants awarded after budget adoption). A grant award by itself does not create legal spending authority for the City, and must be budgeted prior to the related grant expenditures being made.

The Local Budget Law also has numerous other unique requirements, such as a cap on the budget increase from one year to the next (based on the government price inflation of the State), and appropriation reserves (at June 30, unexpended balances of budget appropriations, unless canceled by resolution, are reserved). These appropriation reserves have similar form and constraints as the budget, with certain exceptions. For instance, appropriation reserve transfers may only be made by City resolution in July, August and September, and unexpended appropriation reserves lapse, creating an increase to fund balance.

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**1. Summary of Significant Accounting Policies (continued)**

***F. Budgets/Budgetary Control (continued)***

The other funds included on the budget are not significant. Trust funds are only listed by title through a memorandum section, "Dedication by Rider" pursuant to N.J.S.A. 40A: 4-39. Capital improvement activities are reflected in the Capital Budget section, but this inclusion is more of a planning tool, and does not create legal spending appropriations in the General Capital Fund, which appropriations must be created through ordinance.

*Budgetary Basis of Accounting* – Budgetary integration into the accounting system is employed as a management control device during the year. Substantial differences exist between GAAP and the City's budgetary basis of accounting as described in Note 1(C). A reconciliation between the two would not be meaningful or informative, and therefore is not provided herein.

***G. Encumbrances***

With respect to encumbrances, when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system, expenditures are recognized. Outstanding encumbrances at June 30 are reported as a cash liability in the financial statements.

***H. Cash, Cash Equivalents and Investments***

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with maturities of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

***I. Interfund Receivables /Payables***

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the City, and that are due within one year.

***J. Long-Term Obligations***

General long-term is recognized as a liability of the General Capital Fund and Parking Utility Capital Fund.

***K. Reserves (Other than Reserve for Receivables)***

Reserves, other than "reserve for receivables" are considered as liabilities, and not as a reservation of fund balance.

***L. Reserves for Receivables*** – Reserves for receivables are offsetting balance sheet account credits that are created to preserve the cash basis revenue recognition required by the Division's accounting principles.

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**1. Summary of Significant Accounting Policies (continued)**

***M. Fund Balance***

Fund equity represented on the financial statements consists solely of fund balance, which is not further categorized with respect to reservations (portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use) or designations (plans for future use of financial resources).

**2. Deposits and Investments**

**Deposits**

State of New Jersey statutes permit the deposit of public funds in institutions located within the State and which are insured by the Federal Deposit Insurance Corporation (FDIC), the Saving Association Insurance Fund ("SAIF"), or by any other agencies of the United States that insures deposits, or the State of New Jersey Cash Management Fund.

Additionally, the City deposits public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at last equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

- The market value of the collateral must equal five percent of the average daily balance of public funds; or,
- If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve system and has capital funds of not less than \$25,000,000. The City has complied with all statutes and regulations applicable to deposits and investments.

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**2. Deposits and Investments**

The carrying amount of the City's cash and cash equivalents as of June 30, 2007 was \$36,519,687, and the bank balance was \$ 36,473,200, of which \$400,000 was insured by the FDIC and the remaining \$36,073,200 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

As of June 30, 2005, the City implemented disclosure requirements of GASB Statement No. 40, *Deposit and Investment Disclosures*. GASB Statement No. 40 requires that the City disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counter party, the City would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities are not pledged to the depositor), collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the City.

The City does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. The City's deposits were fully collateralized by funds and held by the financial institution, but not in the name of the City. Due to the nature of GUDPA , further information is not available regarding the full amount that is collateralized.

**New Jersey Cash Management Fund**

All investments in the New Jersey Cash Management Fund ("NJCMF") are governed by the regulations of the Investment Council, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer.

**Investments**

New Jersey municipalities are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A: 5-15.1 provides a list of permissible investments that may be purchased by New Jersey municipalities.

New Jersey Statutes permit local governments to invest in the instruments listed below.

- Bonds or other obligations of the United States or obligations guaranteed by the United States.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**2. Deposits and Investments (continued)**

- Any other obligations with maturities not exceeding 397 days, as permitted by the New Jersey Department of the Treasury, Division of Investments.
- Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- New Jersey Cash Management Fund.
- Repurchase agreements (repos) of fully collateralized securities, subject to certain conditions defined in the above statute.
- Obligations issued by (New Jersey) State government and its agencies as permitted by State laws.

As of June 30, 2007 and 2006, cash and cash equivalents of the City consisted of the following:

	<u>2007</u>	<u>2006</u>
Current Fund	\$ 23,846,591	\$ 11,226,958
Trust Fund	6,016,434	6,382,713
Capital Fund	4,550,595	5,219,559
Parking Utility Fund	1,690,181	1,511,550
Total	<u>\$ 36,103,801</u>	<u>\$ 24,340,780</u>
Municipal Court*	<u>\$ 426,107</u>	<u>\$ 410,001</u>
Total Cash	<u>\$ 36,529,908</u>	<u>\$ 24,750,781</u>

\*Municipal Court audit is under separate cover.

**3. Property Taxes Receivable and Property Tax Calendar**

Property taxes receivable are recorded in the Current Fund as each semiannual tax levy billing is approved. At fiscal year-end, the receivables represent delinquent taxes.

Property taxes collected by the City are divided into three components: 1) the municipal portion for the City; 2) the school district portion for the Hoboken Board of Education; and 3) the county portion for the County of Hudson. The combined total of the three tax levy components is known as the general tax levy. The school district and county portions are required to be remitted by the City in full to the Hoboken Board of Education and County of Hudson, respectively. Any uncollected amount of the general tax levy becomes the burden of the City. New Jersey Statutes require municipalities within the State to make allowance for the uncollected amount of the general tax levy via appropriation in the municipal budget. This appropriation, Reserve for Uncollected Taxes, serves to increase the amount of the municipal portion of the general tax levy to an amount sufficient to allow for the estimated amount not expected to be collected during the fiscal year. The statutory lower limit of this estimate is based on a calculation, which generally takes the prior year tax collection percentage and applies it to the amount required to be raised by municipal tax levy in order to support the municipal budget. There are certain exceptions to using the prior year tax collection rate as the calculation factor, such as three-year average or a reserve for uncollected taxes exclusion, but these require a resolution approved by the City's governing body and approval by the Director of the Division of Local Government Services.



CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**3. Property Taxes Receivable and Property Tax Calendar (continued)**

Taxes are levied every six months, with scheduled levy dates on June 14 and December 1 in accordance with Chapter 72 of the 1994 Laws of New Jersey. The taxes levied on June 14 are due one-half by August 1 and one-half by November 1. The taxes levied on December 1 are due one-half by February 1 and one-half by May 1. A ten-day grace period is allowed for payments of tax levy bills beyond the scheduled due dates. After the ten-day grace period has expired, the taxes are considered delinquent, and accrue interest from the scheduled due date at rates established by City resolution in accordance with New Jersey Statutes.

**4. Deferred Charges to Future Taxation Funded and Unfunded**

Upon the authorization of capital projects, the City establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funded debt issued. Pursuant to New Jersey Statutes Annotated 40A:2-4, the City may levy taxes on all taxable property within its boundaries to repay the debt. Annually, the City raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

**5. Long-Term Debt**

**Changes in Outstanding Debt**

Transactions for the fiscal year ended June 30, 2007 are summarized as follows:

	<b>Balance, June 30 2006</b>	<b>Issued</b>	<b>Refunded/ Retired</b>	<b>Balance June 30 2007</b>
General:				
General Serial and Term Bonds	\$ 47,062,442		\$ 1,355,000	45,707,442
Bond Anticipation Notes	17,655,000		215,000	17,440,000
Green Trust Loans	2,132,881	84,066 *	151,853	2,065,094
Underground Storage Tank Loan	122,367		24,474	97,893
Parking Utility:				
General Serial Bonds	23,885,000		950,000	22,935,000
Bond Anticipation Notes	5,175,000		175,000	5,000,000
Total	<u>\$ 96,032,690</u>	<u>\$ 84,066</u>	<u>\$ 2,871,327</u>	<u>\$ 93,245,429</u>

\* Balance of Green Trust Loans adjusted to equal state-provided amortization schedules.

**Bonds Payable/Local Bond Law**

Bonds are authorized in accordance with N.J.S.A. 40A:2, the Local Bond Law, which governs the issuance of bonds to finance general municipal capital and utility expenditures. The general procedure for the authorization for issuance of City bonds is to introduce it as an ordinance, with submittal of a supplemental debt statement to the Division.

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**5. Long-Term Debt (continued)**

**Bonds Payable/Local Bond Law**

The ordinance is then advertised, heard publicly at least 10 days after the introduction and 7 days after the advertisement, and finally adopted. Amendments, if any, that are made prior to adoption, go through a similar process, except that a supplemental debt statement may not have to be filed. The adopted ordinance is then advertised with a statement that there is a 20-day period in which the public may dispute the ordinance. At the end of the 20-day period, the ordinance becomes effective. N.J.S.A. 40A:2-7 permits certain exceptions to this procedure. All bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City and retired in serial installments. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years, or be retired by the issuance of bonds.

**Statutory Net Debt Percentage**

The City's statutory net debt at June 30, 2007 and June 30, 2006 was .905% and 1.102%, respectively, of the average valuation of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the City for the last three (3) preceding years (the Equalized Valuation Basis).

**Summary of Municipal Debt**

	2007	2006
Gross Debt:		
Local school district debt:		
Type II loans issued		2,126,144
Type II bonds issued	1,814,825	259,000
Total Local School District Debt	1,814,825	2,385,144
General Debt:		
Serial bonds issued	97,707,442	47,062,442
Loans payable	2,162,987	2,255,248
Promissory note payable - HCIA	766,571	822,325
Bond anticipation notes issued	17,440,000	17,655,000
General debt authorized but not issued by the City	2,539,503	2,539,503
Total General Debt	120,616,503	70,334,518
Parking Utility Debt:		
Bonds issued	22,935,000	23,885,000
Bond anticipation notes issued	5,000,000	5,175,000
Total Parking Utility Debt	27,935,000	29,060,000
Total Gross Debt	150,366,328	101,779,662
Less:		
Deduction for local school district debt	1,814,825	2,385,144
Deduction for general debt	59,382,442	7,382,442
Deduction for self-liquidating debt	27,935,000	29,060,000
Total net debt	61,234,061	62,952,076
Equalized valuation basis	6,769,324,438	5,711,418,003
Net debt divided by equalized valuation basis per N.J.S.A. 40A:2-2, as amended	0.905%	1.102%

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**5. Long-Term Debt (continued)**

Equalized valuation basis is the average of the equalized valuations of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the City for the last 3 preceding years.

Net debt as of June 30, 2007 and 2006 divided by equalized valuation basis per N.J.S.A. 40A:2-2., as amended did not exceed the 3.5% debt limitation allowed by N.J.S.A. 40A:2-6.

**Borrowing Power Under N.J.S.A. 40A:2-6 as Amended**

	June 30	
	2007	2006
3 1/2% of Equalized Valuation Basis (municipal)	\$ 236,926,355	\$ 199,899,630
Net Debt	61,234,061	62,952,076
Remaining Borrowing Power	<u>\$ 175,692,294</u>	<u>\$ 136,947,554</u>

*Annual Requirements to Retire Permanent Debt Obligations* – Principal and interest for all permanent debt (bonds and loans) outstanding at June 30, 2007 is as follows:

Fiscal Year	General		Parking Utility		Total
	Principal	Interest	Principal	Interest	
2008	\$ 2,939,379	\$ 2,300,989	\$ 985,000	\$ 1,114,466	\$ 7,339,834
2009	3,067,493	2,199,155	1,020,000	1,077,036	7,363,684
2010	3,205,669	2,081,075	1,075,000	1,025,424	7,387,168
2011	3,358,908	1,948,588	1,125,000	971,029	7,403,525
2012	3,522,741	1,793,839	1,185,000	914,104	7,415,684
2013-2017	20,877,936	6,086,533	6,690,000	3,705,468	37,359,937
2018-2022	6,826,885	1,500,483	8,810,000	1,837,675	18,975,043
2023-2027	2,821,795	1,580,686	2,045,000	99,513	6,546,994
2028-2032	1,047,680	6,790,000	-	-	7,837,680
2033	201,942	1,610,000	-	-	1,811,942
	<u>\$ 47,870,428</u>	<u>\$ 27,891,348</u>	<u>\$ 22,935,000</u>	<u>\$ 10,744,715</u>	<u>\$ 109,441,491</u>

*Hudson County Improvement Authority – (Promissory Note)*

On December 21, 1989, the Mayor and City Council, acting as the Redevelopment Agency of the City of Hoboken, conveyed to Hudson Square North Associates, L.P. Parcel F of the River Street Development area for consideration of \$1,023,770 received and a purchase money mortgage note of \$1,500,000 from the County's Affordable Housing Trust Fund. As of June 30, 2007 and 2006, the unpaid balance was \$ 822,325 and \$ 766,571, respectively, and is recorded as a liability in the current fund.

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**5. Long-Term Debt (continued)**

*Hoboken Municipal Hospital Authority*

On July 8, 2006, the State of New Jersey enacted the Municipal Hospital Authority Law, which authorizes certain cities to establish municipal hospital authorities to acquire and operate urban hospitals.

In August 2006, the City passed an ordinance creating the Hoboken Municipal Hospital Authority ("the HMHA"). The creation of the HMHA was approved by the State's Local Finance Board on August 9, 2006 and is subject to the policies and procedures of the "Local Authorities Fiscal Control Law," P.L. 1983, c313.

On December 21, 2006, the Local Finance Board approved the issuance of debt obligations to provide \$34 million of startup working capital and \$18 million of the initial phase of \$52 million of capital improvements, including construction of a medical office complex, facility remodeling and equipment acquisition. Repayment of the debt is guaranteed by the City.

**Sale/Leaseback Agreement**

On June 29, 2005, the Hudson County Improvement Authority (the "Authority") issued \$8,445,000 aggregate principal amount of its Variable Rate Lease Revenue Bonds, Series 2005 (Hoboken DPW Garage Project) (the "2005 Bonds") for the purposes of acquiring the Department of Public Works Garage located on Garden Street and Observer Highway (the "facilities") from the City and making various acquisitions for and improvements to the Facilities.

In connection with the issuance of the 2005 Bonds, the City and the Authority entered into a sale and lease purchase agreement dated June 1, 2005 (the "2005 Lease"), by which the City conveyed title to the Facilities to the Authority, and agreed to pay, subject to annual appropriation, certain rentals to the Authority for the use of the Facilities.

By ordinance of the City duly adopted on June 21, 2006, the City determined that it would be in the best interests of the City to authorize the sale of the Facilities by the Authority pursuant to the 2005 Lease and to cause the 2005 Bonds to be refinanced through the issuance and sale of certificates of participation representing proportionate interests in rentals to be paid by the City under a new lease purchase agreement between the City and NWF Leasing, Inc. dated June 29, 2006.

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**5. Long-Term Debt (continued)**

**Sale/Leaseback Agreement (continued)**

The bonds were refinanced in the amount of \$13,840,000 to include the acquisition of the police garage. It is the City's intention to pay the certificates of participation in full upon the sale of the DPW and police garages. The following is a schedule of the future minimum lease payments under this lease and the present value of the net minimum lease payments for the Current Fund at June 30, 2007:

Year Ended June 30:	
2008	\$ 1,194,248
2009	13,840,000
Total minimum lease payments	<u>\$ 15,034,248</u>
Less amount representing interest	<u>1,194,248</u>
Present value of future minimum lease payments	<u>\$ 13,840,000</u>

**6. Fund Balance Appropriated**

**Parking Utility Fund**

	<u>June 30, 2007</u>
Fund Balance	\$ 586,358
Appropriated and included as anticipated revenue in succeeding year's budget	\$ - *

\* The 2007-08 budget as of December 7, 2007 has not been adopted.

The accounting principles and requirements prescribed by the Division do not provide for reservations or designations of fund equity.

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**7. Deferred Charges to be Raised in Succeeding Budgets**

Certain expenditures are required to be deferred to budgets of succeeding years. The following deferred charges are shown on the balance sheets of the individual funds as noted.

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Current Fund:		
Deficit in operations	\$ 604,597	\$ 1,032,020
Overexpenditures of appropriations	617,702	-
Overexpenditures of accounts payable	36,621	-
Emergency authorization	1,275,000	-
Special emergency authorization	-	70,000
Total Current Fund	<u>\$ 2,533,920</u>	<u>\$ 1,102,020</u>
Federal and State Grant Fund:		
Expenditure with appropriation	<u>                    </u>	<u>\$ -</u>
Total Federal and State Grant Fund	<u>\$ -</u>	<u>\$ -</u>
Parking Utility Fund		
Overexpenditure of appropriation reserves	\$ 158,731	\$ 204,516
Total Parking Utility Fund	<u>\$ 158,731</u>	<u>\$ 204,516</u>

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**8. Pension Plans**

City employees who are eligible for pension coverage are enrolled in one of three State Pension Plans. The State Pension systems were established by the act of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State Legislature. The three State administered pension funds are: the Consolidated Police and Firemen's Pension Fund (CPFPPF); the Public Employees' Retirement System (PERS); and the Police and Firemen's Retirement System (PFRS). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges municipalities annually for their respective contributions. The plans provide retirement and disability benefits, annual cost of living adjustments and benefits to plan members and beneficiaries. The plans are cost sharing multiple-employer defined benefit plans and as such do not maintain separate records for each municipality in the state and, therefore, the actuarial data for the City is not available. The Division of Pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution for the fiscal years ended June 30, 2007 and 2006, excluding the contribution for postretirement medical benefits in the PERS.

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The PERS and PFRS provide for employee contributions based on percentages 4.5% and 8.5% through December 31, 1999 and 3.0% and 8.5% thereafter, respectively, of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in the PERS and the PFRS. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

The City's contribution for pension expense for PERS, PFRS and CPFPPF combined, for the years ended June 30, 2007, 2006 and 2005 amounted to \$4,060,650, \$2,387,166, and \$1,200,374, respectively.

<u>Year ended June 30</u>	<u>PERS</u>	<u>PFRS</u>	<u>CPFPPF</u>
2007	\$ 363,719	\$ 3,696,931	\$ -
2006	164,910	2,222,256	-
2005	76,821	1,123,553	-

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**9. Post-retirement Medical Benefits**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required the Public Employees Retirement System (“PERS”) to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994, with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one-half of one percent of the active payroll.

**10. Deferred Compensation Plan**

The City offers its employees a Deferred Compensation Plan (the “Plan”) created in accordance with Section 457 of the Internal Revenue Code of 1986, as amended by the Small Business Job Protection Act of 1996. Under the legislation, all funds deferred under the Plan and any other assets or income of the Plan held in trust are for the exclusive benefit of the participating employees and their beneficiaries. The State incorporated this requirement into its amendment to N.J.S.A. 43:15B-5 on June 6, 1997, and also amended N.J.A.C. 5:37-1 et seq. to reflect the new requirements.

Effective June 17, 1998, the Division approved the City’s amendment to its Plan in order to conform to the new requirements. Pursuant to the approved Plan as amended, the City irrevocably renounces all claims and rights which the City or any of its creditors may have previously retained to use, for their own benefit, amounts held under the Plan.

**11. Related Obligation – North Hudson Sewerage Authority**

In connection with the creation of the North Hudson Sewerage Authority (the “NHSA”), which was created in October 1996, through a consolidation between the Hoboken-Union City-Weehawken Sewerage Authority (the “HUCWSA”) and the West New York Municipal Utilities Authority (the “WNYMUA”), a service agreement between the City (together with the Hudson County municipalities of Union City, Weehawken, and West New York) and the NHSA was executed. The related obligation of the City with respect to the current service agreement pertains to service charges and annual charges.

In connection with this agreement, the NHSA will charge users of its system, service charges, for all sewerage treated or disposed of by the NHSA and for all use and services to its system. Such service charges shall be established at rates estimated to be sufficient to provide for all amounts necessary to pay or provide for the expenses of operation and maintenance of the NHSA’s system and the principal and interest on any and all bonds as they become due, to maintain the amounts required to be held in accordance with the bond resolution provisions.



CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**11. Related Obligation – North Hudson Sewerage Authority (continued)**

According to the agreement, annual charges, if any, are assessed to and payable by the City in the same percentage as the most recent determination by the NHSA, of the allocation of the annual flow among the municipalities. The most recent determination by the NHSA of the allocation of the annual flow is as follows: (i) Hoboken 23%, (ii) Union City 36%, (iii) Weehawken 14% and (iv) West New York 27%.

Also as part of the agreement, on or before January 1 of each fiscal year, the NHSA will make an estimate of the amount of the annual charges, if any, which will become payable by the City for such fiscal year. On or before February 15 of each fiscal year, the City will pay to the NHSA the amount of any annual charges not paid relating to any prior fiscal year. The City will pay to the NHSA that part of the estimated amount of the annual charges for the current fiscal year in four equal installments on March 1, June 1, September 1 and November 1 of such fiscal year. As of June 30, 2007, the City had paid all installments due.

**12. Contingent Liabilities**

**A. Compensated Absences (Unaudited)**

The City has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date. Costs are recognized when paid, rather than in the period earned. It is estimated that the current cost of such unpaid compensation would be approximately \$ 16,698,439 as of June 30, 2007. This amount is not reported either as an expenditure or liability.

**B. Grants**

The City receives federal and state financial assistance in the form of grants and entitlements. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The City is subject to the requirements of the Single Audit Act Amendments of 1996, which mandated that all federal grant revenues and expenditures be audited in conjunction with the municipal audit. In addition, substantially all State grants, entitlements and cost reimbursements are subject to financial and compliance audits by the grantors. As of June 30, 2007, the City estimates that no material liabilities will result from such audits.

**C. Litigation**

The City is involved in certain legal proceedings, the resolution and impact on the financial statements of which, individually or in the aggregate, in the opinion of management as advised by legal counsel, would not be significant to the accompanying financial statements.

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**12. Contingent Liabilities (Continued)**

**D. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to manage these risks, the City maintains commercial insurance coverage for property, liability and surety bonds. For 2006, the City obtained reinsurance coverage and umbrella coverage, which limited the City risk retention to \$5,000 per occurrence and an aggregate limit of \$20,000,000 for general liability and automotive claims. The City is not aware of any claims pending that have a demand in excess of these coverages.

The City utilizes a self-insured risk management program for claims relating to workers' compensation. The City engaged an outside claims service administrator to serve as the fund administrator. Reserves are established by the City for estimated benefits and expenses for reported claims. The City charges to Current Fund operations all claims rendered during the year, which will be paid from expendable available financial resources. The City paid claims for the years ended June 30, 2007 and 2006 in the amount of \$ 550,000 and \$ 621,789, respectively.

**E. Tax Appeals**

At June 30, 2007, there are approximately 54 tax appeals pending before the New Jersey Tax Court requesting a reduction of assessed valuation for years 2007 and prior. The aggregate assessed valuation of the properties under appeal totals approximately \$127,128,500. The City has not set up a reserve for this amount, but instead intends to issue additional refunding bonds and/or notes to pay for adverse judgments arising from tax appeal cases.

**13. Interfund Receivables and Payables**

The following interfund balances remained on the balance sheet at June 30, 2007:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
Current Fund	\$ 364,741	\$ 106,442
Federal and State Grant Fund	1,132,596	323,551
Trust - Section 8 - Housing Assistance Program	-	19,526
Trust - Animal Control Trust Fund	-	5,769
Trust - Community Develop. Block Grant Trust Fund	19,526	35,421
General Capital Fund	106,442	1,132,596
Parking Utility - Operating Fund	-	-
	<u>\$ 1,623,305</u>	<u>\$ 1,623,305</u>

CITY OF HOBOKEN  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED JUNE 30, 2007

**14. Parking Utility Fund**

The City's parking garages and surface lots are located at 315 Hudson, 215 Hudson, 131 Hudson, 916 Garden, Hoboken University Hospital, and 300 Willow Street, which is under temporary management.

The City has contracted with Central Parking Systems to manage, operate, and collect and deposit fees for the Parking Utility. The City contracted with United Textile Fabricators for coin collection services and deposit of the City's monies for 2006 and on a month-to-month basis for 2007. Collections for fiscal year 2007 were \$660,894, compared to \$991,316 for fiscal year 2006, representing in a decrease of \$330,422, or 33%.

During the quarter ended December 31, 2006 and during 2007, the parking garage located at 916 Garden Street experienced software and mechanical problems, making the garage unusable. Courtesies, such as loaner vehicles, were supplied to customers for vehicles that could not be retrieved. Unitronics was engaged in July of 2006 to retrofit the mechanical equipment and update the computer hardware and software for the garage. The City has agreed to compensate Unitronics for legal fees related to their dealings with Robotics, the previous hardware and software vendor.

Robotic has filed a claim against the City, if successful; the judgment would likely exceed one million dollars (\$1,000,000). However, the City has filed a counterclaim for approximately three million eight hundred thousand dollars (\$3,800,000) alleging the software was faulty and was negligent in its operation and maintenance in the garage.

## **Current Fund**

### **Schedules**

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-4

**SCHEDULE OF CASH**

	<u>Reference</u>	<u>Current Fund</u>	<u>Federal State &amp; County Grant Fund</u>
Balance June 30, 2006	A	\$ 7,831,318	\$ 3,394,890
Increased by Cash Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	802,970	
Budget Refunds	A-3	1,327,278	
Due from State of New Jersey for			
Senior Citizens' and Veterans' Deductions	A-8	67,046	
Taxes Receivable	A-5	100,148,142	
Adjustment to Cash Balance @June 30, 2006	A-1	25,893	
Revenue Accounts Receivable	A-9	38,930,446	
Interfunds	A-10	1,230,945	
Tax Anticipation Notes	A-15	17,000,000	
Prepaid Taxes	A-16	152,039	
Tax Overpayments	A-17	1,252,096	
Various Reserves	A-19	65,134	
Grant Receivable	A-22		3,051,289
Unappropriated Grants Received	A-25		539,024
Transfer to Grant Fund	A-23		289,041
Hazmat Receipts Due to Capital Fund	A		17,630.00
Total Receipts		161,001,989	3,896,984
		168,833,307	7,291,874
Decreased by Cash Disbursements			
Budget Appropriations	A-3	72,200,075	
Appropriation Reserves	A-14	2,222,221	
Appropriation Difference	A-1	564	
Prior Year Tax Returned Checks Voided	A-1	10,098	
Refunds- Revenue Accounts Receivable	A-9	1,125	
Interfunds	A-10	3,382,936	
Deferred Charged- Accounts Payable	A-13	36,621	
Tax Overpayments	A-17	852,958	
Principle Payment- HCIA Note Payable	A-18	55,754	
Various Reserves	A-19	7,320	
Local District School Tax	A-20	33,450,000	
County Taxes	A-21	35,088,113	
Grants Expended Current Fund	A-23		
Grant Appropriations	A-24		4,571,460
Transfer to Current Fund	A-23		399,345
Total Disbursements		147,307,785	4,970,805
Balance, June 30, 2007	A	\$ 21,525,522	\$ 2,321,069

## A-5

## A-5

Year	Balance 06/30/06	2007 Tax Levy	Added Taxes	Collections 2006	2007	Senior Citizens and Veterans Deductions	Adjustments/ Cancellations	Transfer To Tax Title Liens	Balance 06/30/07
2006	\$ 3,292	\$ -	\$ -	\$ -	\$ 5,829	\$ -	\$ (3,497)	\$ -	\$ 960
	3,292	-	-	-	5,829	-	(3,497)	0	960
2007		100,012,088	1,764,742	125,046	101,271,072	63,495	299,597	16,498	1,122
	\$ 3,292	\$ 100,012,088	\$ 1,764,742	\$ 125,046	\$ 101,276,901	\$ 63,495	\$ 296,100	\$ -	\$ 2,082
Reference	A	Below	Below	A-16	Below	A-8	Below	A-6	A

Cash Receipts- Taxes	A-4	\$	100,148,142
Cash Receipts- Added Taxes	A-2		1,128,759
Total	Above	\$	<u>101,276,901</u>
Prepaid Taxes	Above		125,046
Senior & Veterans Deductions	Above		63,495
Less Prior Year Taxes			<u>(5,829)</u>
Current Year Tax Revenue	A-2	\$	<u>101,459,613</u>

## ANALYSIS OF 2007 PROPERTY TAX LEVY

TAX YIELD

	<u>Reference</u>			Reduction Due to Tax Appeals	323,059
General Property Tax		\$ 99,966,725		Canceled /Added	(22,479)
Additional Utility Tax		<u>45,363</u>		Total	<u>296,100</u>
	Above		\$100,012,088		
	Above		<u>1,764,742</u>		
Added Taxes (54:4-63.1et.seq.)	Below	<u>\$101,776,830</u>			

TAX LEVY

County Taxes	A-21	\$	33,662,267	
County Open Space Tax	A-21		789,904	
Due County for Added Taxes	A-21		635,942	
Local District School Tax	A-20		<u>33,450,000</u>	
	A-2			\$ 68,538,113
Amount to be Raised by Taxes	A-2	\$	28,832,265	
Local Tax for Municipal Purpose Levied			<u>4,406,452</u>	
				\$ 33,238,717
	Above			\$ 101,776,830

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**A-6**

**SCHEDULE OF TAX TITLE LIENS**

	<u>Reference</u>	
Balance June 30, 2006	A	\$ 453,254
Increased by:		
Transfer from Taxes Receivable	A-5	<u>16,498</u>
Balance June 30, 2007	A	<u><u>\$ 469,752</u></u>

**A-7**

**SCHEDULE OF PROPERTY ACQUIRED FOR TAXES AT ASSESSED VALUATION**

	<u>Reference</u>	
Balance June 30, 2006	A	<u>\$ 2,806,900</u>
Balance June 30, 2007	A	<u><u>\$ 2,806,900</u></u>

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-8

**SCHEDULE OF DUE FROM STATE OF NEW JERSEY FOR  
SENIOR CITIZENS AND VETERANS DEDUCTIONS (CHAPTER. 20, P.L. 1971)**

	<u>Reference</u>		
Balance June 30, 2006	A	\$	65,731
Increased by:			
Deductions per Tax Duplicate:			
Senior Citizen's Deductions	Below	20,875	
Veteran's Deductions	Below	45,250	
Deductions Allowed by Tax Collector:			
Senior Citizen's Deductions	Below		
Veteran's Deductions	Below	1,250	
			<u>67,375</u>
			133,106
Decreased by:			
Deductions Disallowed by Tax Collector:			
Senior Citizen's Deductions	Below	3,880	
Prior Year Senior Citizen's Deductions	A-1	4,480	
Cash Receipts	A-4	67,046	
			<u>75,406</u>
Balance June 30, 2007	A	\$	<u><u>57,700</u></u>

**Calculation of Amount Realized**

Senior Citizens	Above	\$20,875	
Veterans	Above	45,250	
Senior Citizens & Veterans Deductions Allowed	Above	1,250	
			<u>67,375</u>
Less: Current Year/Seniors & Veterans Disallowed	Above	3,880	
Realized as Tax Revenue	A-5	\$63,495	
			<u><u>\$63,495</u></u>



CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-9

**SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Reference	Balance June 30, 2006	Accrued in 2007	Received in 2007	Balance June 30, 2007
Licenses:					
Alcoholic Beverages	A-2		264,456	264,456	\$ -
Other	A-2		167,764	167,764	-
Fees and Permits	A-2		265,270	265,270	-
Zoning Board of Adjustment Fees	A-2		147,095	147,095	-
Planning Board Fees	A-2		31,153	31,153	-
Rent Leveling Fees	A-2		42,722	42,722	-
Fines and Costs:	A-2				-
Municipal Court	A-2	151,305	3,782,059	3,788,055	145,309
Parking Tax	A-2		846,864	846,864	-
Interest and Costs on Taxes	A-2		323,788	323,788	-
Interest on Investments and Deposits	A-2		1,068,902	1,068,902	-
Riverview Cablevision Associates	A-2		173,113	173,113	-
Rents - City Owned Property	A-2		261,126	261,126	-
Crosstown Bus	A-2		9,109	9,109	-
SJP Properties - Block A - Phase I	A-2		936,000	936,000	-
SJP Properties - Block A - Phase II	A-2		936,000	936,000	-
SJP Properties/Applied - Block B	A-2		-	-	-
Applied Development Co. - South Waterfront - Block C	A-2		1,235,072	1,235,072	-
St. Mary's Hospital PILOT	A-2		40,000	40,000	-
PATH - NJ Transit	A-2		2,892	2,892	-
Grogan Marineview Plaza	A-2		622,769	622,769	-
Clocktowers	A-2		120,031	120,031	-
Marion Towers Associates	A-2		183,533	183,533	-
Church Towers Urban Renewal	A-2		463,094	463,094	-
Columbian Towers	A-2		114,573	114,573	-
Columbian Arms	A-2		27,464	27,464	-
Hudson Square North	A-2		108,037	108,037	-
Willow Avenue Associates - 800-812 Wilson Avenue	A-2		74,478	74,478	-
Applied Housing - 1203-1219 Willow Avenue	A-2		240,359	240,359	-
Applied Housing - 121-1221 Washington Estates	A-2		389,078	389,078	-
Applied Housing - 1200-1220 Hudson Estates	A-2		360,474	360,474	-
Applied Housing - 1301-1309 Bloomfield Estates	A-2		143,024	143,024	-
Applied Housing - Midway 500-508 Adams Street	A-2		201,114	201,114	-
Applied Housing - Elysian Estates	A-2		47,118	47,118	-
Applied Housing - Church Square	A-2		104,798	104,798	-
Applied Housing - Eastview Associates	A-2		114,225	114,225	-
Applied Housing - Westview Associates	A-2		192,701	192,701	-
Applied Housing - Northvale I - 911-923 Clinton Street	A-2		361,755	361,755	-
Applied Housing - Northvale II - 901-919 Clinton Street	A-2		339,443	339,443	-
Applied Housing - Northvale III A	A-2		47,973	47,973	-
Applied Housing - Northvale III B - 1106-1014 Clinton Street	A-2		41,846	41,846	-
Applied Housing - Northvale IV - 58 11th Street	A-2		14,425	14,425	-
Pilot Pay 1300 Grand Street	A-2		683,203	683,203	-
Pilot Pay 1200 Grand Street	A-2		897,898	897,898	-
Hudson Square North - Mortgage Receivable	A-2		55,754	55,754	-
Consolidated Municipal Property Tax Block Grant	A-2		13,260,177	13,260,177	-
Legislative Municipal Block Grant Aid	A-2		151,261	151,261	-
Energy Receipts Tax	A-2		2,169,897	2,169,897	-
Extraordinary Aid	A-2		150,000	150,000	-
Homeland Security Assistance Aid	A-2		140,000	140,000	-
Uniform Construction Code Fees	A-2		1,288,021	1,288,021	-
Hoboken Housing Authority - Public Safety	A-2		540,000	540,000	-
Public Health Priority Funding	A-2		6,212	6,212	-
Summer Food Service Program	A-2		25,910	25,910	-
CDBG - Administrative Costs	A-2		100,000	100,000	-
SFY 2007 Roadway Improvement Project	A-2		450,000	450,000	-
UASI Rescue Training	A-2		15,320	15,320	-
Body Armor Replacement Fund	A-2		14,359	14,359	-
NFL Youth Football Grant	A-2		8,000	8,000	-
Walk Safe Hoboken/Pedestrian	A-2		18,000	18,000	-
Roadway Improvement Project - 8th Street	A-2		390,000	390,000	-
State Local Cooperative Housing Inspection Program	A-2		64,000	64,000	-
Recycling Tonnage	A-2		117,320	117,320	-
Hoboken Justice Assistance Grant	A-2		14,431	14,431	-
1118 Adams Street Urban Renewal	A-2		2,250,000	2,250,000	-
Save the Youth - 2007 Grant	A-2		197,446	197,446	-
September 11, 2001 Memorial	A-2		110,000	110,000	-
Hazardous Discharge Site Remediation	A-2		19,893	19,893	-
Secure our Schools Grant	A-2		134,634	134,634	-
Secure our Schools Grant - HBOE Match	A-2		134,635	134,635	-
Capital Surplus	A-2		276,846	276,846	-
Added Assessments	A-2		1,128,759	1,128,759	-
Reserve, Outside-Duty Police Administration	A-2		140,000	140,000	-
Sinatra Park Concession	A-2		35,000	35,000	-
Uniform Fire Safety Act	A-2		56,443	56,443	-
Anticipated Parking Utility Operating Surplus	A-2		4,775,000	4,775,000	-
SJP Properties Block A Phase 2	A-2		1,500,000	1,500,000	-
<b>TOTALS</b>		<b>\$ 151,305</b>	<b>\$ 46,164,116</b>	<b>\$ 46,170,112</b>	<b>\$ 145,309</b>
Ref.		A, A-1	A-2	Below	A
Cash Receipts			A-4	\$ 38,930,446	
Non Cash State Aid- Debt Service			A-3	\$ 3,270,631	
Refunds			A-4	\$ (1,125)	
Grants Receivable			A-10	3,970,160	
			Above	<b>\$ 46,170,112</b>	

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-10

**SCHEDULE OF INTERFUNDS**

		Balance June 30, <u>2006</u>	Less: Cash <u>Receipts</u>	Plus: Cash <u>Disbursements</u>	Less: <u>Non-Cash</u>	Balance June 30, <u>2007</u>
Trust Fund		\$ -	\$ 733,911	\$ 2,189,310	\$ 1,455,399	\$ 0
Parking Utility		-				-
General Capital Fund		(804,585)	100,000	804,585	6,442	\$ (106,442)
Federal, State and County Grant Fund		276,846	397,034	389,041	(54,698)	\$ 323,551
Section 8 - Housing Assistance Program		-			(35,421)	35,421
Due from Dog License Fund					(5,769)	5,769
Community Development Block Grant Trust Fund		-				-
		<u>\$ (527,739)</u>	<u>\$ 1,230,945</u>	<u>\$ 3,382,936</u>	<u>\$ 1,365,953</u>	<u>\$ 258,299</u>
	<u>Ref.</u>	<u>Below</u>	<u>A-4</u>	<u>A-4</u>	<u>Below</u>	<u>Below</u>
Interfund Receivable	A	\$ 276,846				\$ 364,741
Interfund Payable	A,A-1	(804,585)				(106,442)
		<u>\$ (527,739)</u>				<u>\$ 258,299</u>

Analysis of Non-Cash Activities

Federal, State and County Grant Fund:				
Anticipated as Current Fund Revenue	A-3		\$ 276,846	
Reinstatement of Prior Year Grants Canceled	A-1		756,170	
Cancel Unappropriated Grants - Spent Prior Years	A-1		(926,394)	
Grants Receivable -Anticipated Revenue	A-2		(3,970,160)	
Grant Appropriation	A-3		3,808,840	
Capital Fund:				
Deferred Charges per Budget	A-3		6,442	
Trust Fund:				
Reinstatement of O&M Account in Trust	A-1		1,232,354	
Reinstatement of Fire Department Hazmat in Trust	A-1		223,045	
Section 8 Housing Assistance Program				
Interest-Non HUD Accounts	B		(35,421)	
Dog License Fund				
Statutory Excess	B		(5,769)	
			<u>\$ 1,365,953</u>	

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-11

**SCHEDULE OF MORTGAGE RECEIVABLE**

	<u>Reference</u>	
Balance June 30, 2006	A	\$ 822,325
Decreased by:		
Principal Payment Received	A-18	<u>55,754</u>
Balance June 30, 2007	A	<u><u>\$ 766,571</u></u>

A-12

**SCHEDULE OF WATER LIENS RECEIVABLE**

	<u>Reference</u>	
Balance June 30, 2006	A	<u>\$ 46,261</u>
Decreased by:		
Cancelation		<u>1,955</u>
Balance June 30, 2007	A	<u><u>\$ 44,306</u></u>

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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**SCHEDULE OF DEFERRED CHARGES**

	Balance June 30, <u>2006</u>	Added in <u>FY 2007</u>	Raised in FY 2007 <u>Budget</u>	<u>Canceled</u>	Balance June 30, <u>2007</u>
Overexpenditure of Appropriations	\$ -	\$ 617,702		\$ -	\$ 617,702
Deficit in Operations	1,032,020		427,423		604,597
Overexpenditure Accounts Payable	-	36,621			36,621
Emergency Authorization (N.J.S.A. 40A:4-47)	-	1,275,000			1,275,000
Special Emergency (N.J.S.A. 40A:5-55)	<u>70,000</u>		<u>70,000</u>		<u>-</u>
	<u>\$ 1,102,020</u>	<u>\$ 1,929,323</u>	<u>\$ 497,423</u>	<u>\$ -</u>	<u>\$ 2,533,920</u>
<u>Ref.</u>	<u>A</u>		<u>A-3</u>		<u>A</u>

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-14

**SCHEDULE OF 2006 APPROPRIATION RESERVES**

	Balance, June 30, 2006				
	Appropriation	Encumbrance	Modified	Cash	Balance
Expenditures	Reserved	Payable	Budget	Disbursed	Lapsed
GENERAL GOVERNMENT FUNCTIONS:					
Mayor's Office					
Salaries and Wages	\$ 188	\$ -	\$ 188	\$ -	\$ 188
Other Expenses	8	60	68	60	8
City Council					
Salaries and Wages	22	-	22	-	22
Other Expenses	893	171	1,064	1,046	18
City Clerk's Office					
Salaries and Wages	44,095	-	44,095	40,000	4,095
Other Expenses	331	530	861	689	172
Other Expenses - Legal Advertising	7,824	3,252	11,076	9,661	1,415
Other Expenses - Codification of Ordinances	280	-	280	-	280
Salaries and Wages - Elections	2,321	-	2,321	-	2,321
Other Expenses - Elections (Emergency \$100,000)	13,191	9,289	22,480	21,759	721
Business Administrator's Office					
Salaries and Wages	67	-	67	-	67
Other Expenses	18,923	762	19,685	19,180	505
Purchasing					
Salaries and Wages	414	-	414	-	414
Other Expenses	160	-	160	-	160
Personnel and Health Benefits					
Salaries and Wages	128	-	128		128
Other Expenses	1,030	1,018	2,048	1,811	237
Constituent Services					
Salaries and Wages	2,754	-	2,754	-	2,754
Other Expenses	2,632	1,331	3,963	1,331	2,632
Zoning Administration					
Salaries and Wages	125	-	125	-	125
Other Expenses	632	328	960	732	228
Uniform Construction Code Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)					
Salaries and Wages	5,181	-	5,181	-	5,181
Other Expenses	15,029	2,671	17,700	17,700	-
Corporation Counsel					
Salaries & Wages	1,013	-	1,013	-	1,013
Other Expenses	190	780	970	467	503
Other Expenses - Special Counsel	14,245	61,219	75,464	73,961	1,503
Other Expenses - Expert Witness and Appraisal	4,610	390	5,000	3,890	1,110
Revenue and Finance Director					
Salaries & Wages	1,856	-	1,856	-	1,856
Other Expenses	25,533	7	25,540	25,175	365
Annual Audit					
Other Expenses	500	1,500	2,000	1,500	500
Accounts and Control					
Salaries & Wages	2,290	-	2,290	-	2,290
Other Expenses	2,619	-	2,619	-	2,619
Payroll					
Salaries & Wages	183	-	183	-	183
Other Expenses	356	-	356	-	356
Tax Collections					
Salaries & Wages	331	-	331	-	331
Other Expenses	3,478	2,274	5,752	4,582	1,170
Information Technology					
Salaries & Wages	1,725	-	1,725	-	1,725
Other Expenses	1,848	-	1,848	-	1,848
Office of the Tax Assessor					
Salaries & Wages	380	-	380	-	380
Other Expenses	5,044	899	5,943	5,888	55

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-14

**SCHEDULE OF 2006 APPROPRIATION RESERVES**

<u>Expenditures</u>	<u>Balance, June 30, 2006</u>		<u>Modified Budget</u>	<u>Cash Disbursed</u>	<u>Balance Lapsed</u>
	<u>Appropriation Reserved</u>	<u>Encumbrance Payable</u>			
Department of Human Services					
Director's Office					
Salaries & Wages	\$ 10,006	\$ -	\$ 10,006	\$ 3,845	\$ 6,161
Other Expenses	491	238	729	321	408
Rent Leveling					
Salaries & Wages	565	-	565	-	565
Other Expenses	351	294	645	352	293
Housing Inspections					
Salaries & Wages	760	-	760	-	760
Other Expenses	237	197	434	49	385
Transportation					
Salaries & Wages	4,272	-	4,272	-	4,272
Other Expenses	9,544	1,785	11,329	5,772	5,557
Health					
Salaries & Wages	436	-	436	-	436
Other Expenses	1,115	11,554	12,669	11,136	1,533
Senior Citizens					
Salaries & Wages	1,915	-	1,915	-	1,915
Other Expenses	1,828	841	2,669	476	2,193
Hispanic and Minority Affairs					
Salaries & Wages	1,144	-	1,144	-	1,144
Other Expenses	412	-	412	-	412
Recreation and Cultural Affairs					
Salaries & Wages	22,273	-	22,273	22,273	-
Other Expenses	41,487	9,635	51,122	49,924	1,198
Department of Environmental Services					
Director's Office					
Salaries & Wages	17,476	-	17,476	17,000	476
Other Expenses	555	158	713	158	555
Parks					
Salaries & Wages	5,004	-	5,004	-	5,004
Other Expenses	9,248	14,935	24,183	23,380	803
Public Property					
Salaries & Wages	2,249	-	2,249	-	2,249
Other Expenses	7,632	34,042	41,674	8,828	32,846
Streets and Roads					
Other Expenses	9,281	6,198	15,479	8,034	7,445
Signal and Traffic					
Salaries & Wages	130	-	130	-	130
Other Expenses	1,324	377	1,701	-	1,701
Central Garage					
Salaries & Wages	325	-	325	-	325
Other Expenses	9,041	17,627	26,668	19,527	7,141
Sanitation					
Salaries & Wages	3,271	-	3,271	-	3,271
Other Expenses	26,798	216,263	243,061	226,890	16,171
Department of Community Development					
Director's Office					
Salaries & Wages	10,081	-	10,081	10,000	81
Other Expenses	5,892	1,524	7,416	6,596	820
Grants Management					
Salaries & Wages	1,576	-	1,576	-	1,576
Other Expenses	475	1,049	1,524	1,049	475
Waterfront Development					
Other Expenses	10,687	-	10,687	10,079	608
Planning Board					
Salaries & Wages	551	-	551	-	551
Other Expenses	8,457	4,240	12,697	11,922	775

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-14

**SCHEDULE OF 2006 APPROPRIATION RESERVES**

<u>Expenditures</u>	<u>Balance, June 30, 2006</u>		<u>Modified Budget</u>	<u>Cash Disbursed</u>	<u>Balance Lapsed</u>
	<u>Appropriation Reserved</u>	<u>Encumbrance Payable</u>			
Zoning Board of Adjustment					
Other Expenses	\$ 145	\$ 112	\$ 257	\$ 112	\$ 145
Historical Preservation Committee					
Other Expenses	38	-	38	-	38
Department of Public Safety					
Police					
Salaries and Wages (Emergency \$350,000)	112,755	-	112,755	110,000	2,755
Other Expenses	97	14,683	14,780	14,503	277
Acquisition of Police Vehicles	1,292	1,584	2,876	1,585	1,291
Fire					
Salaries and Wages (Emergency \$300,000)	349,313	-	349,313	277,299	72,014
Other Expenses	60,358	55,457	115,815	99,755	16,060
Uniform Fire Safety Act (c.383, PL 1938)					
Salaries and Wages	-	-	-	-	-
Office of Emergency Management					
Salaries and Wages	1,173	-	1,173	-	1,173
Other Expenses	2,215	-	2,215	-	2,215
Municipal Court					
Salaries and Wages	7,756	-	7,756	-	7,756
Other Expenses	19,928	4,568	24,496	12,249	12,247
Public Defender					
Salaries and Wages	18	-	18	-	18
Other Expenses	1,097	1,250	2,347	2,250	97
Unclassified					
Alcoholic Beverage Control Board					
Salaries and Wages	100	-	100	-	100
Other Expenses	838	-	838	-	838
Volunteer Ambulance (NJSA 40:5-2)	-	-	-	-	-
North Hudson Regional Council of Mayors					
Other Expenses	-	-	-	-	-
Towing & Storage of Abandoned Vehicles	-	-	-	2,470	(2,470)
Unemployment Insurance	-	-	-	-	-
NJ Right To Know	1,715	3,285	5,000	3,285	1,715
Engineering	4,414	-	4,414	4,414	-
Municipal Dues and Memberships	1,632	-	1,632	-	1,632
Celebration Of Public Events	1,211	3,024	4,235	3,024	1,211
Postage	2,660	-	2,660	-	2,660
Office Machines	6,460	-	6,460	6,460	-
Stationary and Office Supplies	3,255	94	3,349	3,228	121
Electricity	1,137	19,440	20,577	20,575	2
Street Lighting	689	45,555	46,244	46,244	-
Gasoline	1,486	33,268	34,754	33,268	1,486
Fuel	528	337	865	337	528
Water and Sewer	290	-	290	-	290
Communications	7	10,531	10,538	10,531	7
Telecommunication Equipment	1,730	-	1,730	1,730	-
Master Plan	21,017	-	21,017	20,638	379
Salary Adjustment	-	-	-	-	-
Contingent	190	-	190	100	90
Judgment	-	-	-	-	-
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	69,233	-	69,233	-	69,233
Consol. Police/Fire Pension Fund	81	-	81	-	81

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-14

**SCHEDULE OF 2006 APPROPRIATION RESERVES**

	<u>Balance, June 30, 2006</u>				
<u>Expenditures</u>	<u>Appropriation Reserved</u>	<u>Encumbrance Payable</u>	<u>Modified Budget</u>	<u>Cash Disbursed</u>	<u>Balance Lapsed</u>
<u>GENERAL GOVERNMENT</u>					
Maintenance- Free Public Library					
Salaries and Wages	\$ 9,316	\$ -	\$ 9,316	\$ 9,000	\$ 316
Other Expenses	9,671	304,744	314,415	297,166	17,249
Social Security	-	-	-	-	-
Insurance (N.J.S.A. 40A:4-45.3(00))					
General Liability	1,718	9,625	11,343	9,625	1,718
Workers Compensation	3,211	-	3,211	-	3,211
Employee Group Health	535,676	-	535,676	534,151	1,525
Police/Firemen's Retirement	34,744	-	34,744	6,478	28,266
Public Employees Retirement	59,200	-	59,200	25,534	33,666
Hoboken Housing Authority					
Police Salaries and Wages	-	-	-		-
Hoboken Board of Education					
Police Salaries and Wages	17,296	-	17,296	-	17,296
Municipal Debt Service					
Payment of Bond Principal	-	-	-		-
Payment of Bond Anticipation Notes and Capital Notes	-	-	-		-
Interest on Bonds	-	833	833	(833)	1,666
Interest on Notes	-	-	-		-
Notes Payable - Hudson County Improvement Authority	-	-	-		-
Loan Repayment for Principal and Interest	-	-	-		-
Underground Storage Tanks	-	-	-		-
	<u>\$ 1,755,008</u>	<u>\$ 915,828</u>	<u>\$ 2,670,836</u>	<u>\$ 2,222,221</u>	<u>\$ 448,615</u>
	A	A		A-4	A-1



CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**SCHEDULE OF TAX ANTICIPATION NOTE**

**A-15**

	<u>Reference</u>	
Balance June 30, 2006	A	\$ -
Increased by:		
Cash Received	A-4	<u>17,000,000</u>
		17,000,000
Decreased by:		
Cash Disbursements	A-4	<u>                    </u>
Balance June 30, 2007	A	<u><u>\$ 17,000,000</u></u>

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**SCHEDULE OF PREPAID TAXES**

**A-16**

	<u>Reference</u>	
Balance June 30, 2006	A	\$125,046
Increased by:		
Cash Received	A-4	<u>152,039</u>
		277,085
Decreased by:		
Applied to 2007 Taxes	A-5	<u>125,046</u>
Balance June 30, 2007	A	<u><u>\$152,039</u></u>

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-17

**SCHEDULE OF TAX OVERPAYMENTS**

	<u>Reference</u>	<u>Total</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Balance - June 30, 2006	A	\$ 1,685,394	\$ -	\$ 820,637	\$ 864,757
Increased by:					
Cash Received	A-4	1,252,096	1,149,835	102,261	
Tax Appeal Judgments	A-1	25,314	25,314		
		<u>1,277,410</u>	<u>1,175,149</u>	<u>102,261</u>	<u>-</u>
		<u>2,962,804</u>	<u>1,175,149</u>	<u>922,898</u>	<u>864,757</u>
Decreased by:					
Overpayments Applied		-		(686,894)	686,894
Canceled/Adjustment	A-1	1,070,475	70,475	1,000,000	
Cash Disbursed	A-4	852,958	477,562	197,533	177,863
		<u>1,923,433</u>	<u>548,037</u>	<u>510,639</u>	<u>864,757</u>
Balance - June 30, 2007	A	<u>\$ 1,039,371</u>	<u>\$ 627,112</u>	<u>\$ 412,259</u>	<u>\$ -</u>

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**SCHEDULE OF PROMISSORY NOTE PAYABLE - HCIA**

**A-18**

	<u>Reference</u>	
Balance June 30, 2006	A	\$822,325
Decreased by:		
Principal Payment	A-4, 11	<u>55,754</u>
Balance June 30, 2007	A	<u><u>\$766,571</u></u>

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-19

**SCHEDULE OF VARIOUS RESERVES**

	Balance June 30, <u>2006</u>	Increased by Cash <u>Receipts</u>	Decreased by Cash <u>Disbursements</u>	Balance June 30, <u>2007</u>
Reserve for:				
Ragamuffin Parade	\$ 5,700	\$ 1,612	\$ 6	\$ 7,306
Maintenance of Free Public Library				
with State Aid	31,505	31,959		63,464
911 Relief Fund	49,248			49,248
D.A.R.E.	8,614	350		8,964
Sinatra Park	24,011		770	23,241
Public Assistance	8,714			8,714
PILOT - County Share	67,077			67,077
Due to State of NJ Marriage License		10,975		10,975
Security Deposits Payable	4,000			4,000
Reserve for POAA		20,238	6,544	13,694
Master Plan	113,268			113,268
	<u>312,137</u>	<u>65,134</u>	<u>7,320</u>	<u>369,951</u>
<u>Ref.</u>	A	A-4	A-4	A

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**A-20**

**SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

	<u>Reference</u>	
Balance June 30, 2006	A	\$0
Increased by:		
Levy - Fiscal Year 2007	A-1	33,450,000
		<u>33,450,000</u>
Decreased by:		
Payments	A-4	33,450,000
		<u>33,450,000</u>
Balance June 30, 2007	A	<u><u>\$0</u></u>

**A-21**

**SCHEDULE OF COUNTY TAXES**

	<u>Reference</u>		
Balance June 30, 2006	A		\$0
Increased by:			
County Tax Levy		33,662,267	
Open Space Tax Levy		789,904	
Added and Omitted Taxes		<u>635,942</u>	
	A-1		35,088,113
Decreased by:			
Payment	A-2, 4		<u>35,088,113</u>
Balance June 30, 2007	A		<u><u>\$0.00</u></u>

CITY OF HOBOKEN  
FEDERAL AND STATE GRANT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-22

**SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

	Balance June 30, 2006	2007 Budget Revenue Realized	Received	Canceled	Transferred to Unappropriated Reserves	Balance June 30, 2007
Click It or Ticket	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ 4,000
Municipal Alliance on Alcohol & Drug Abuse	46,543		28,657			17,886
Roadway Improvements Program-2006	300,811		242,015			58,796
Public Health Priority Funding		6,212	6,212			-
Community Block Grant Adm Costs		100,000	100,000			-
Summer Food Service		25,910	25,910			-
State Cooperative Housing Inspection		64,000	60,785			3,215
SFY 2007 Roadway Improvement		450,000				450,000
UASI Rescue Training		15,320	15,320			0
Body Armor Replacement Fund		14,359	14,359			0
NFL Youth Football Grant		8,000	4,000			4,000
Walk Safe Hoboken Pedestrians		18,000	18,000			-
Roadway Improvement 8th Street		390,000	261,895			128,105
Recycling Tonnage		117,320	19,190			98,130
Hoboken Justice Assistance Grant		14,431	14,431			-
1118 Adams Street Urban Renewal		2,250,000	1,980,000			270,000
Save the Youth Grant		197,446	61,221			136,225
September 11 2001 Memorial		110,000	110,000			-
Hazardous Discharge Site		19,893				19,893
Secure Our Schools Grant		269,269	269,269			-
						-
						-
						-
	<u>\$ 351,354</u>	<u>\$ 4,070,160</u>	<u>\$ 3,231,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,190,250</u>
<u>Ref.</u>	A	A-24	Below			A
Cash Received in Grant Fund	A-4		\$ 3,051,289			
Cash Received in Current(Due from Current Fund)	A-23		<u>179,975</u>			
	Above		<u>\$ 3,231,264</u>			

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-23

**SCHEDULE OF INTERFUNDS (RECEIVABLE)/PAYABLE**  
**FEDERAL, STATE AND COUNTY GRANT FUND**

	<u>Reference</u>		<u>Current Fund</u>
Balance June 30, 2006	A		\$ 276,846
Increased by:			
Grants Expended Current Fund	A-24	281,320	
Cancel Grant Unappropriated- Spent Prior Years	A-25	926,394	
Transfer to Grant Funds	A-4	<u>289,041</u>	
			<u>1,496,755</u>
			1,773,601
Decreased by:			
Reinstatement of Prior Year Grants	A-1,24	756,170	
Unappropriated Grants Received in Current Fund	A-25	94,560	
Appropriated Grants Received in Current Fund	A-23	179,975	
Local Match	A-3	20,000	
Disbursed to Current Fund Fund	A-4	<u>399,345</u>	
			<u>1,450,050</u>
Balance June 30, 2007	A		<u><u>\$ 323,551</u></u>



CITY OF HOBOKEN  
FEDERAL, STATE AND COUNTY GRANT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-24

**SCHEDULE OF APPROPRIATED RESERVES**

	Balance June 30, 2006		Transfer From 2007 Budget	Cash Disbursed	Reinstatement/ Cancelled	Balance June 30, 2007	
	Encumbered	Reserved				Reserved	Encumbered
Federal:							
Section 8 - Housing Assistance Admin Costs	\$ -	\$ 125,000	\$ -	\$ -	\$ -	\$ 125,000	\$ -
Local Law Enforcement Block Grant - Prior Year	-	-		6,336	6,336	-	
Walk Safe Pedestrian Grant-Hoboken			18,000	16,621		1,379	
UASI Rescue Training Grant			15,320	15,320		-	
Safe School and Communities	-	-		432	432	-	
Summer Food Service	-	-	25,910	25,910		-	
Summer Food Service - Local Match			20,000	12,103		7,897	
Community Block Grant -Administrative Costs			100,000	100,000		-	
Roadway Improvement -8th Str.-DOT Grant			390,000	298,061		60,376	31,563
Hoboken Justice Assistance Grant			14,431	14,432	1	-	
Save the Youth Grant			197,446	140,795		43,916	12,735
Secure our Schools Grant			269,269	231,516		-	37,753
Urban Park Grant - Church Square Park	-	-		31,692	31,692	-	
Total Federal	-	125,000	1,050,376	893,218	38,461	238,568	82,051
State:							
NJ- Prior Year Body Armor Replacement				17,349	20,447	-	3,098
NJ- 2007 Body Armor Replacement Fund	-	-	14,359			14,359	
Clean Communities Program - 2006	3,336	29,898		24,468		5,916	2,850
Domestic Violence	-	800			2,590	-	3,390
NJ Youth Football Grant			8,000			8,000	
Click-It-or-Ticket	-	-		3,600	3,600	-	
Municipal Alliance Program	-	46,543		55,547	9,004	-	
Municipal Alliance Program - City Match	-	-					
State of NJ Contingency Fund:							
Madison Street Park				78,890	78,890	-	
Church Sq. Gazebo				49,260	95,150	45,890	
Observer Hwy Firehouse				59,247	143,288	84,041	
WWII Memorial				10,425	202,380	191,955	
Summer in the Park				8,573	8,573	-	
NJ Department of Transportation:							
Hudson Street- 1999				26,156	26,156	-	
Henderson & Observer- 2002				9,850	10,525	-	675
Jackson St. Sec.- 2000				16,854	16,854	-	
River Street				18,871	18,871	-	
Downtown Revitalization-2004				960	960	-	
Roadway Improvement Program - 2003				2,975	2,975	-	
Roadway Improvement Program- 2005				27,250	27,250	-	
Roadway Improvement Program-2006	-	300,811		98,295		202,516	
Roadway Improvement Program-2007			450,000	93,351		356,649	
NJ Dept. of Com. Affairs 1118 Adams St. Urban Renewal			2,250,000	1,980,000		188,750	81,250

CITY OF HOBOKEN  
FEDERAL, STATE AND COUNTY GRANT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-24

**SCHEDULE OF APPROPRIATED RESERVES**

	Balance June 30, 2006		Transfer From 2007 Budget	Cash Disbursed	Cancelled	Balance June 30, 2007	
	Encumbered	Reserved				Reserved	Encumbered
State (Continued):							
Public Health Priority Funding 2007	\$ -	\$ -	\$ 6,212	\$ -	\$ -	\$ 6,212	\$ -
Protection & Prevention Grant				1,500	1,500	-	
State Cooperative Housing Inspection			64,000	64,000		-	
September 11, 2001 Memorial	-	-	110,000			110,000	
Recycling Tonnage	-	-	117,320	117,320		-	
PAL - Anti-Gang	-	-		992	992	-	
Hudson River Waterfront/Castle Point Project	-	-		30,066	34,166	-	4,100
Drunk Driving Enforcement fund	-	-		6,000	6,000	-	
NJ Hazardous Discharge Site			19,893			19,893	
Stormwater	-	-		7,538	7,538	-	
Total State	3,336	378,052	3,039,784	2,809,337	717,709	1,234,181	95,363
County:							
Hudson County Open Space Grant	-	2,000,000		1,150,225		849,775	
Hazmat Donations - Fire Department	-	36,616				36,616	
Total County	-	2,036,616	-	1,150,225	-	886,391	-
	<u>\$ 3,336</u>	<u>\$ 2,539,668</u>	<u>\$ 4,090,160</u>	<u>\$ 4,852,780</u>	<u>\$ 756,170</u>	<u>\$ 2,359,140</u>	<u>\$ 177,414</u>
Ref.	A	A-36	Below	Below	A-23	A	A
Budget Appropriation			A-22 \$ 4,070,160				
Local Match Apprpriation			A-23 20,000				
			Above \$ 4,090,160				
Cash Disbursed From Grant Fund			A-4 4,571,460				
Cash Disbursed From Current Fund -Due to Current			A-23 281,320		756,170		
			Above \$ 4,852,780		\$ 756,170		

CITY OF HOBOKEN  
FEDERAL, STATE AND COUNTY GRANT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-25

**SCHEDULE OF UNAPPROPRIATED RESERVES**

	Balance June 30, 2006	Prior Year Grants Expended Canceled	Increased By Cash Received	Anticipated As Revenue	Balance June 30, 2007
Computer Program for the Elderly	\$11,382	\$11,382			-
Hudson County Admin. Annex	7,350	7,350			-
Fire Safety Uniform	56,923	56,923			-
Byrne Formula Block Grant - Safe School &	15,767	15,767			-
NJ 2003 Body Armor Replacement Fund	18,112	18,112			-
Benefits Screening	4,330	4,330			-
Information Assistance	7,130	7,130			-
Highway Traffic Safety	4,000	4,000			-
Speed Aggressive Grant	7,500	7,500			-
Drunk, Drive & Lose	4,000	4,000			-
Police UASI Grant	26,857	26,857			-
Safe School and Community	25,000	25,000			-
Law Enforcement Home Security	140,000	140,000			-
City Clocks	106,950	106,950			-
Hoboken Pedestrian Safety	25,997	25,997			-
Downtown Revitalization	220,695	220,695			-
Hudson Place	113,250	113,250			-
Caregivers Grant	131,151	131,151			-
Alcohol Education & Rehabilitation			18,224		18,224
Cops in School			22,800		22,800
Body Armor Replacement			9,928		9,928
State Forestry Green Community Grant			2,000		2,000
Adult Day Care			10,681		10,681
Domestic Violence Grant			5,000		5,000
Drunk Driving Enforcement Fund			5,142		5,142
State Aid -Downtown Revitalization Program			125,555		125,555
Public Healthcare Mgt. Caregivers			99,382		99,382
Summer Food Program			16,739		16,739
Walk Safe Hoboken Pedestrians			2,000		2,000
Computer Program for the Elderly-DYFS			40,674		40,674
Clean Communities - 2007			41,756		41,756
12th Street Project 2000/ Clinton			18,497		18,497
2005 Roadway Improvement Project			114,926		114,926
State Aid Highway Hudson Place-2003			32,585		32,585
State Aid Highway Signage Phase 1- 2004			19,144		19,144
State Aid Highway - Safe Street School District			12,551		12,551
Fire Department Grant			36,000		36,000
	<u>\$ 926,394</u>	<u>\$926,394</u>	<u>\$ 633,584</u>	<u>\$ -</u>	<u>\$ 633,584</u>
<u>Ref.</u>	A	A-1,A-23	Below		A
Cash Receipts Grant Fund		A-4	\$ 539,024		
Cash Receipts Current Fund -Due From Current Fund		A-23	94,560		
		Above	<u>\$ 633,584</u>		

CITY OF HOBOKEN  
CURRENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A-26

**URBAN DEVELOPMENT ACTION GRANT RECEIVABLE/RESERVE**

	<u>Reference</u>	
Balance June 30, 2006	A	\$0
Increased by:		
Urban Development Action Grant Receivable		<u>2,650,000</u>
Balance June 30, 2007	A	<u>\$ 2,650,000</u>

A-27

**SCHEDULE OF DUE FROM CAPITAL FUND**

	<u>Reference</u>	
Balance June 30, 2006	A	\$0
Increased by:		
Expenditures 2007 Road Improvement	A-4	<u>1,150,226</u>
		1,150,226
Decreased by:		
Cash Receipts Haxmat	A-4	<u>17,630</u>
Balance June 30, 2007	A	<u>\$ 1,132,596</u>

**Trust Fund**

**Schedules**

**City of Hoboken**  
**Hudson County, New Jersey**  
**Trust Fund**

**Schedule of Cash - Treasurer**

**Year Ended June 30, 2007**

	Reference	Animal Control Fund	Other Trust Fund	Section 8 - Housing Assistance Program
Balance, June 30, 2006	B	\$ 14,354	\$ 4,797,216	\$ 1,571,143
Increased by cash receipts:				
Community Development Block Grant Receivable	B-3			641,085
State License Fees collected	B-4	1,366		
Dog License Fees	B-5	7,551		
Due from Current Funds	B-6		1,455,399	
Other Trust Fund deposits	B-6		36,270,840	
Due to Current - Interest Non HUD Accounts	B-10			35,421
Reserve for Section 8 - Housing Assistance Program	B-9			1,526,740
Reserve for Section 8 - Housing Assistance Program - Interest	B-9			27,425
		<u>8,917</u>	<u>37,726,239</u>	<u>2,230,671</u>
		23,271	42,523,455	3,801,814
Decreased by cash disbursements:				
Reserve for Dog License Expenditures	B-5	10		
Due to State of New Jersey	B-4	216		
Due to Current Fund	B-2			
Disbursements of Other Trust Fund deposits	B-6		37,854,285	
Reserve for Community Development Block Grant	B-8			655,277
Section 8 - Housing Assistance Program expenditures	B-9			1,822,318
Due to Current Fund	B-10			
Due to Current Fund	B-11			
		<u>226</u>	<u>37,854,285</u>	<u>2,477,595</u>
Balance, June 30, 2007	B	<u>\$ 23,045</u>	<u>\$ 4,669,170</u>	<u>\$ 1,324,219</u>

**City of Hoboken**  
**Hudson County, New Jersey**  
**Trust Fund**  
**Animal Control Trust Fund**

**Schedule of Due to Current Fund**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	B	\$0
Increased by:		
State of NJ Fees paid in Current	B-4	1,284
Statutory Excess	B-5	<u>4,485</u>
Balance, June 30, 2007	B	<u><u>\$ 5,769</u></u>

**City of Hoboken**  
**Hudson County, New Jersey**  
**Trust Fund**  
**Community Development Block Grant Trust Fund**

**Schedule of Community Development Block Grant Receivable**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	B	\$ 564,636
Increased by Current Year Grant Award	B-8	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">489,400</div> <hr style="width: 100px; border: 0.5px solid black;"/> </div>
		1,054,036
Decreased by Cash received by the Section 8 - Housing Assistance Program	B-1, B-7	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">641,085</div> <hr style="width: 100px; border: 0.5px solid black;"/> </div>
Balance, June 30, 2007	B	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">\$ 412,951</div> <hr style="width: 100px; border: 1.5px solid black;"/> </div>



**City of Hoboken  
Hudson County, New Jersey  
Trust Fund  
Animal Control Trust Fund**

**Schedule of Due to State of New Jersey**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	B	\$ 368
Increased by State License Fees Collected	B-1	1,366
		<u>1,734</u>
Decreased by:		
Fees Remitted to State Treasurer- Dog Fund	B-1	216
Fees Remitted to State Treasurer- Current Fund	B-2	1,284
		<u>1,500</u>
Balance, June 30, 2007	B	<u><u>\$ 234</u></u>

**Schedule of Reserve for Animal Control Expenditures**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	B	\$ 13,986
Increased by Cash received	B-1	7,551
		<u>21,537</u>
Decreased by:		
Due to Current- Statutory Excess	B-2	4,485
Cash Disbursed	B-1	10
		<u>4,495</u>
Balance, June 30, 2007	B,Below	<u><u>\$ 17,042</u></u>
Statutory Excess:		
2005-2006 License Fees		8,125
2006-2007 License Fees		<u>8,917</u>
	Above	<u><u>\$ 17,042</u></u>

**City of Hoboken**  
**Hudson County, New Jersey**  
**Trust Fund**  
**Other Trust Fund**

**Schedule of Reserve for Other Trust Fund Deposits**

Year Ended June 30, 2007

Description	Balance, June 30, 2006	Increase	Decrease	Transfer From Current Fund	Balance, June 30, 2007
Affordable Housing (Wanaque)	\$ 285,745	\$ 148	\$ 255,000		\$ 30,893
Amount due to Outside Lien Holders	261,430	1,089,785	1,236,629		114,586
Block B South Waterfront Exclusivity	192,482	115,667	31,203		276,946
Community Resource	35,292	271	181		35,382
Crosstown Bus	-				-
Demarest RCA	1,252	59			1,311
Developers Escrow Deposits	911,435	424,035	576,427		759,043
Division of Cultural Affairs	69,072	354,904	251,824		172,152
Fire Dedicated Penalties	-				-
Fire Education	113,900	74,845	122,652		66,093
Fire Regular Penalties	25,113	6,515	584		31,044
Girl's Softball	81				81
Green Township RCA Escrow	84,462	81,810	82,500		83,772
Hoboken 150th Anniversary	45,060	84	17,182		27,962
Hurricane Relief	501				501
Law Enforcement Trust	92,725	78,154	48,333		122,546
Miscellaneous Deposits	3,449	182			3,631
Municipal Superiors Associations	9,384	2,263	3,595		8,052
NJ Unemployment	-				-
North Haledon RCA	284,331	3,085	255,000		32,416
Northwest Redevelopment Escrow	-				-
Parking Offenses Adjudication Act	556,376	116,919	20,238		653,057
Payroll Agency	688,643	22,547,563	23,354,671		(118,465)
PBA Outside Employment Admin.	33,493	1,660			35,153
PILOTS	929	9,185,637	9,077,868		108,698
Police Athletic League	8,130				8,130
Police Athletic League - Hockey	2				2
Police Department Investigative	801		400		401
Police Department Memorial Fund	66,432	23,611			90,043
Police 5K Run	9,497	1,000	9,497		1,000
Police Outside Employment	139,952	788,098	828,563		99,487
September 11th Memorial Fund	216,582	31,489	113,451		134,620
Shade Tree Commission	3,476		2,940		536
TAM Restaurant	5,266				5,266
Tax Sale Premiums	585,166	23,316	391,200		217,282
Umpire Fees	9,427	4,800	11,060		3,167
Unclaimed Bail		17,083	2,830		14,253
URSA Development Group	13,547	43	13,590		-
Workers' Compensation Insurance	43,783	563,902	610,135		(2,450)
O & M Fund		730,015	502,646	1,232,354	1,459,723
Fire Department Hazmat Fund		3,896	34,086	223,045	192,855
	<u>\$ 4,797,216</u>	<u>\$ 36,270,840</u>	<u>\$ 37,854,285</u>	<u>\$ 1,455,399</u>	<u>\$ 4,669,170</u>
Reference	B	B-1	B-1	B-1	B

**City of Hoboken**  
**Hudson County, New Jersey**  
**Trust Fund**  
**Community Development Block Grant Trust Fund**

**Schedule of Due from Section 8 - Housing Assistance Program**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	B	\$ 33,718
Increased by:		
Cash Receipts	B-1, B-3	<div style="display: flex; justify-content: flex-end;"> <div style="border-top: 1px solid black; width: 100px; text-align: right;">641,085</div> <div style="width: 10px;"></div> <div style="text-align: right;">674,803</div> </div>
Decreased by:		
Cash Disbursements	B-1, B-8	<div style="display: flex; justify-content: flex-end;"> <div style="border-top: 1px solid black; width: 100px; text-align: right;">655,277</div> <div style="width: 10px;"></div> <div style="text-align: right;"></div> </div>
Balance, June 30, 2007	B	<div style="display: flex; justify-content: flex-end;"> <div style="border-top: 1px solid black; border-bottom: 3px double black; width: 100px; text-align: right;">\$ 19,526</div> <div style="width: 10px;"></div> <div style="text-align: right;"></div> </div>

Schedule B-8

**Schedule of Reserve for Community Development Block Grant**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	B	\$ 598,354
Increased by Current Year Grant Award	B-3	<div style="display: flex; justify-content: flex-end;"> <div style="border-top: 1px solid black; width: 100px; text-align: right;">489,400</div> <div style="width: 10px;"></div> <div style="text-align: right;">1,087,754</div> </div>
Decreased by payments made by Section 8 - HAP	B-1, B-7	<div style="display: flex; justify-content: flex-end;"> <div style="border-top: 1px solid black; width: 100px; text-align: right;">655,277</div> <div style="width: 10px;"></div> <div style="text-align: right;"></div> </div>
Balance, June 30, 2007	B	<div style="display: flex; justify-content: flex-end;"> <div style="border-top: 1px solid black; border-bottom: 3px double black; width: 100px; text-align: right;">\$ 432,477</div> <div style="width: 10px;"></div> <div style="text-align: right;"></div> </div>

**City of Hoboken**  
**Hudson County, New Jersey**  
**Trust Fund**  
**Section 8 - Housing Assistance Program**

**Schedule of Reserves for Section 8 - Housing Assistance program**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	B	\$ 1,537,425
Increased by:		
Interest on bank deposits	B-1	27,425
Program receipts	B-1	1,526,740
		<u>1,554,165</u>
		<u>3,091,590</u>
Decreased by:		
Due to Grantor - Program Closeout	B-11	47,711
Program expenditures	B-1	1,822,318
		<u>1,870,029</u>
Balance, June 30, 2007	B	<u><u>\$ 1,221,561</u></u>

**City of Hoboken**  
**Hudson County, New Jersey**  
**Trust Fund**  
**Section 8 - Housing Assistance Program**

**Schedule of Due to Current Fund**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	B	\$0
Increased by: Interest Earned Non HUD Accounts	B-1	<u>35,421</u>
Balance, June 30, 2007	B	<u><u>\$ 35,421</u></u>

**Section 8 - Housing Assistance Program**

**Schedule of Due to Grantor**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	B	\$0
Increased by Section 8 Housing Due to Grantor	B-9	<u>47,711</u>
Balance, June 30, 2007	B	<u><u>\$ 47,711</u></u>

## **General Capital Fund**

### **Schedules**

**City of Hoboken**  
**Hudson County, New Jersey**  
**General Capital Fund**

**Schedule of Capital Cash**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	C	\$ 5,219,559
Increased by:		
Interfund Repayment from Current Fund	C-11	804,585
Reserve for Green Acres - 1600 Adams Street	C	200,000
Premium on BANs	C-1A	82,317
		<u>1,086,902</u>
		<u>6,306,461</u>
Decreased by:		
Improvement Authorizations	C-7	<u>1,755,866</u>
Balance, June 30, 2007	C	<u><u>\$ 4,550,595</u></u>

**City of Hoboken  
Hudson County, New Jersey  
General Capital Fund**

**Schedule of Analysis of Capital Cash**

Description	Balance, June 30,	
	2007	2006
Fund Balance	\$ 127,644	\$ 45,327
Capital Improvement Fund	-	-
Deferred Charges	-	(6,442)
Due from Current Fund	(24,072)	(804,585)
Reserve for Payment of BAN's	200,000	-
Reserve for Due from Grant Fund	17,630	-
Reserve for Encumbrances	177,454	354,031
<b><u>Improvement Authorizations</u></b>		
07/15/92 Acquire Fire Apparatus	143,943	162,410
11/15/93 Reconstruction and Renovations of Certain Piers	1,021,295	1,021,295
12/20/95 Bond Ordinance for Tax Overpayment Refunds	(267,836)	(267,836)
10/09/97 Creation of North Park	(371,667)	(371,667)
10/09/97 Creation of Castle Point Park	330,671	364,917
03/18/97 Multi-Service Center	8,445	9,645
03/18/98 Elysian Park	106	106
04/01/98 Improvement to City Hall	182,849	296,050
06/07/00 Removal and Closure of Storage Tanks in City of Hoboken	64,368	64,368
05/30/02 Various Projects & Improvements:		
Underground Storage Tanks	1,317	1,317
Police Headquarters	60,000	60,000
Acquisition of Fire Engines	7,902	7,902
Improvements to City Parks	498	-
12/15/05 Land Parcel Acquisition	165,642	184,627
12/15/05 Improvements of Buildings and Parks	2,316,517	3,329,453
12/15/05 Acquisition of Vehicles and Equipment	309,265	668,641
06/16/06 Various Road Improvements	78,624	100,000
	<u>\$ 4,550,595</u>	<u>\$ 5,219,559</u>
<b>Reference</b>	<b>C</b>	<b>C</b>



**City of Hoboken  
Hudson County, New Jersey  
General Capital Fund**

**Schedule of Deferred Charges to Future Taxation - Funded**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	C	\$ 49,317,690
Increased by:		
Adjustment to June 30, 2006 Green Acres Loan	C-13	84,066
		<u>49,401,756</u>
Decreased by:		
2007 Budget Appropriation payments related to:		
General Serial Bonds	C-9	1,355,000
Green Acres Loan	C-13	151,853
Underground Storage Tank Loan	C-14	24,474
		<u>1,531,327</u>
Balance, June 30, 2007	C	<u><u>\$ 47,870,429</u></u>

**City of Hoboken**  
**Hudson County, New Jersey**  
**General Capital Fund**

**Schedule of Deferred Charges to Future Taxes - Unfunded**

Year Ended June 30, 2007

Ordinance Date	Description	Balance, June 30, 2006	Decreased by 2007 BAN Paydown	Balance, June 30, 2007	Analysis of Balance		
					Expenditures	Bond Anticipation Notes	Unexpended Improvement Authorizations
07/15/92	Fire Apparatus	\$ 296,600	\$ (215,000)	\$ 81,600		\$ 81,600	
10/07/92	Public Safety Facility	2,000		2,000		2,000	
11/15/93	Reconstruction and Renovation of Certain Piers	968,900		968,900		968,900	
10/09/97	Creation of North Park	371,667		371,667	371,667		
12/20/95	Bond Ordinance for Tax Overpayment Refunds	267,836		267,836	267,836		
05/30/02	Various Improvements	4,987,500		4,987,500		4,987,500	
12/15/05	Land Parcel Acquisition	7,000,000		7,000,000		7,000,000	
12/15/05	Improvements of Buildings and Parks	3,300,000		3,300,000		3,300,000	
12/15/05	Acquisition of Vehicles	1,100,000		1,100,000		1,100,000	
06/16/06	Various Road Improvements	1,900,000		1,900,000			1,900,000
		<u>\$ 20,194,503</u>	<u>\$ (215,000)</u>	<u>\$ 19,979,503</u>	<u>\$ 639,503</u>	<u>\$ 17,440,000</u>	<u>\$ 1,900,000</u>
Reference		C	C-8	C		C-8	

**City of Hoboken  
Hudson County, New Jersey  
General Capital Fund**

Schedule C-5

**Schedule of Capital Improvement Fund**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	C	\$0.00
Increased by:		
Budget Appropriation	C-1	
Decreased by:		
Improvement Authorizations Funded	C-7	<u>          </u>
Balance, June 30, 2007	C	<u><u>\$0.00</u></u>

**Schedule of Reserve for Payment of BAN's**

Year Ended June 30, 2007

Schedule C-6

	<u><b>Reference</b></u>	
Balance, June 30, 2006	C	\$0.00
Increased by:		
Due from Current - ADA Library Funds	C-11	<u>100,000</u>
		100,000
Decreased by:		
		<u>-</u>
Balance, June 30, 2007	C	<u><u>\$100,000</u></u>

**City of Hoboken**  
**County of Hudson, New Jersey**  
**General Capital Fund**

**Schedule of Improvement Authorizations**

Year Ended June 30, 2007

Ordinance Date	Description	Amount	Balance, June 30, 2006			2007 Authorizations Funded by			Expended	Transfers/ Adjustments	Encumbered	Balance, June 30, 2007	
			Funded	Unfunded	Encumbered	Fund Balance	Capital Improvement Fund	Deferred Charges to Future Taxation Unfunded				Funded	Unfunded
07/15/92	Acquisition of Fire Apparatus	\$ 900,000	-	162,410	-				18,467				143,943
11/15/93	Reconstruction & Renovations of Certain Piers	4,200,000	52,395	968,900	-							52,395	968,900
10/09/97	Creation of Castle Point Park	750,000	364,917	-	-				34,246			330,671	
03/18/98	Multi-Service Center	57,550	9,645	-	-				1,200			8,445	
03/18/98	Elysian Park	11,300	106	-	-							106	
04/01/98	Improvements - City Hall	156,000	296,050	-	13				113,201		13	182,849	-
06/07/00	Removal & Closure of Underground Storage Tanks	244,735	64,368	-	-							64,368	-
05/30/02	Various Projects and Improvements:												
	City Hall	770,011	-	-	-							-	-
	Underground Storage Tanks	1,317	-	1,317	-							-	1,317
	Police Headquarters	210,000	10,500	49,500	-							10,500	49,500
	Acquisition of Fire Engines	1,932	5,970	1,932	-							5,970	1,932
	Acquisition of Equipment & Vehicles	26,435	-	-	1,392					(498)	894	-	498
	Integrated Computer	32,863	-	-	-							-	-
	Improvements to City Parks	8,176	-	-	5,000						5,000	-	-
09/18/02	Green Acres Funding:												
	Multi-Parks	2,000,000	-	-	-							-	-
12/15/02	Land Parcel Acquisition	7,350,000	-	184,627	-				18,985			-	165,642
12/15/05	Improvements of Buildings and Parks	3,465,000	29,453	3,300,000	4,774				996,360	4,774	21,350	-	2,316,517
12/15/05	Acquisition of Vehicles and Equipment	1,155,000	-	668,641	342,852				552,031	342,852	150,197	-	309,265
06/16/06	Various Road Improvements	2,000,000	100,000	1,900,000	-				1,171,601 *			-	828,399
			933,404	7,237,327	354,031	-	-	-	2,906,091	347,128	177,454	655,304	4,785,913
	Reference		C	C	C	C-1	C-5	C-4	Below		C	C	C

Total Expenditures: \$ 2,906,091 Above  
Disbursed from (due to) Current Fund: (1,150,225) \* C-12  
Cash Expended From Capital Fund: \$ 1,755,866 C-1

**City of Hoboken  
County of Hudson, New Jersey  
General Capital Fund**

**Schedule of Bond Anticipation Notes Payable**

Year Ended June 30, 2007

<b>Purpose</b>	<b>Original Date</b>	<b>Issue Amount</b>	<b>Maturity Date</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Balance June 30, 2006</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2007</b>
Bond Anticipation Notes, Series 2005B	12/15/05	6,255,000	09/14/07	6,255,000	4.25%	6,255,000	-	215,000	6,040,000
Bond Anticipation Notes, Series 2006A	01/30/06	8,100,000	09/14/07	8,100,000	4.25%	8,100,000	-	-	8,100,000
Bond Anticipation Notes, Series 2006B	04/18/06	3,300,000	09/14/07	3,300,000	4.25%	3,300,000	-	-	3,300,000
						<u>\$ 17,655,000</u>	<u>\$ -</u>	<u>\$ 215,000</u>	<u>\$ 17,440,000</u>
					<b>Reference</b>	C, Below		C-4	C, Below

Analysis of Balance:

Budged Appropriation for Payment	\$ 215,000	
Renewal	<u>17,440,000</u>	<u>17,440,000</u>
	<u>\$ 17,655,000</u>	<u>\$ 17,440,000</u>
	Above	Above

CITY OF HOBOKEN  
GENERAL CAPITAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007

C-9

**SCHEDULE OF SERIAL BONDS**

Purpose	Original Date	Issue Amount	Maturities of Bonds Outstanding		Interest Rate	Balance June 30, 2006	Decreased by Budget Appropriation	Balance June 30, 2007
			Date	Amount				
Early Retirement Pension Refunding Bonds	08/01/03	\$ 7,382,000	04/01/08	\$ 10,000	5.45%			
			04/01/09	25,000	5.45%			
			04/01/10	50,000	5.45%			
			04/01/11	80,000	5.45%			
			04/01/12	105,000	5.45%			
			04/01/13	140,000	5.45%			
			04/01/14	185,000	6.00%			
			04/01/15	225,000	6.00%			
			04/01/16	275,000	6.00%			
			04/01/17	295,000	6.00%			
			04/01/18	330,000	6.00%			
			04/01/19	360,000	6.50%			
			04/01/20	380,000	6.50%			
			04/01/21	440,000	6.50%			
			04/01/22	475,000	6.50%			
			04/01/23	525,000	6.50%			
			04/01/24	580,000	6.50%			
			04/01/25	660,000	6.50%			
			04/01/26	775,000	6.50%			
			04/01/27	217,820	7.14%			
			04/01/28	213,756	7.14%			
			04/01/29	202,557	7.14%			
			04/01/30	209,767	7.14%			
			04/01/31	207,099	7.14%			
			04/01/32	204,501	7.14%			
			04/01/33	201,942	7.14%	\$ 7,382,442		\$ 7,382,442
Qualified General Improvement Refunding Bonds, Tax Exempt Series 2003A	11/01/03	2,845,000	02/01/07	1,355,000.00	2.125%	1,355,000	\$ 1,355,000	-
Qualified General Improvement Refunding Bonds, Taxable Series 2003B	11/01/03	38,325,000	02/01/08	2,750,000	3.57%			
			02/01/09	2,860,000	3.97%			
			02/01/10	2,970,000	4.26%			
			02/01/11	3,090,000	4.76%			
			02/01/12	3,250,000	4.96%			
			02/01/13	3,415,000	5.12%			
			02/01/18	19,990,000	5.33%	38,325,000		38,325,000
						<u>\$ 47,062,442</u>	<u>\$ 1,355,000</u>	<u>\$ 45,707,442</u>

Reference

C

C-3

C

CITY OF HOBOKEN  
CAPITAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007

**SCHEDULE OF DEFERRED CHARGES**

**C-10**

	<b>Balance June 30, 2006</b>	<b>Raised in FY 2007 Budget</b>	<b>Balance June 30, 2007</b>
	<hr/>	<hr/>	<hr/>
Overexpenditure of Capital Ordinances	\$ 6,442	\$ 6,442	\$ -
	<hr/>	<hr/>	<hr/>
	\$ 6,442	\$ 6,442	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	C	C-11	C

CITY OF HOBOKEN  
GENERAL CAPITAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007

**SCHEDULE OF DUE FROM CURRENT FUND**

**C-11**

	<u>Reference</u>	
Balance June 30, 2006	C	\$ 804,585
Increased by:		
ADA Library Grant Received in Current	C	100,000
Prior Year Overexpenditure	C-10	6,442
		<u>106,442</u>
Decreased by:		
Cash Received	C-1	804,585
		<u>804,585</u>
Balance June 30, 2007	C	<u>\$ 106,442</u>

**SCHEDULE OF DUE TO GRANT FUND**

**C-12**

	<u>Reference</u>	
Balance June 30, 2006	C	\$0
Increased by:		
Grant Funds Expended for Road Imp. Ordinance	C-7	1,150,225
		<u>1,150,225</u>
Decreased by:		
Hazmat Funds Due From Grant Fund	C	17,630
		<u>17,630</u>
Balance June 30, 2007	C	<u>\$ 1,132,595</u>

**SCHEDULE OF GREEN ACRES LOANS PAYABLE**

**C-13**

	<u>Reference</u>	
Balance June 30, 2006	C	\$ 2,132,881
Increased by:		
Audit Adjustment to Beginning Balance	C-3	84,066
		<u>84,066</u>
Decreased by:		
Payment	C-3	151,853
		<u>151,853</u>
Balance June 30, 2007	C	<u>\$ 2,065,094</u>

**SCHEDULE OF UNDERGROUND STORAGE TANK REMOVAL LOAN PAYABLE**

**C-14**

	<u>Reference</u>	
Balance June 30, 2006	C	\$ 122,367
Decreased by:		
Payment	C-3	24,474
		<u>24,474</u>
Balance June 30, 2007	C	<u>\$ 97,893</u>



CITY OF HOBOKEN  
GENERAL CAPITAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007

C-15

**SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Purpose	Ordinance Date	Balance June 30, 2006	Increased by 2007 Authorizations	Balance June 30, 2007
Refunding Bond Ordinance for Payments Owing to Others for Taxes Paid	12/20/95	\$ 267,836	-	\$ 267,836
Creation of North Park	10/07/97	371,667	-	371,667
Various Road Improvements	06/16/06	1,900,000	-	1,900,000
		<u>\$ 2,539,503</u>	<u>\$ -</u>	<u>\$ 2,539,503</u>
		C		C

## **Parking Utility Funds**

### **Schedules**

**City of Hoboken**  
**Hudson County, New Jersey**  
**Parking Utility Fund**

**Schedule of Cash Receipts and Disbursements**

Year Ended June 30, 2007

	<u><b>Reference</b></u>		
Balance, June 30, 2006	D		\$ 1,511,550
Increased by Receipts:			
Budgeted Revenues	D-1	11,969,978	
Interfunds	Contra	4,900,000	
Security Deposits	D-7	63,697	
		<hr/>	16,933,675
			<hr/> 18,445,225
Decreased by Disbursements:			
2007 Budget Revenues	D-3	11,696,313	
Appropriation Reserve Over-Expenditures	D-5	158,731	
Interfunds	Contra	4,900,000	
		<hr/>	16,755,044
			<hr/>
Balance, June 30, 2007	D		<u><u>\$ 1,690,181</u></u>

**City of Hoboken  
Hudson County, New Jersey  
Parking Utility Fund**

**Schedule of Deferred Charges**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	D	\$ 204,516
Increased by:		
Overexpenditure of Appropriation Reserves	D-4	158,731
		<u>363,247</u>
Decreased by:		
Amount raised in Budget	D-3	<u>204,516</u>
Balance June 30, 2007	D	<u><u>\$ 158,731</u></u>

Schedule D-6

**Schedule of Fixed Capital**

Year Ended June 30, 2007

	<u><b>Reference</b></u>	
Balance, June 30, 2006	D	<u><u>\$ 42,957,185</u></u>
Balance, June 30, 2007	D, Below	<u><u>\$ 42,957,185</u></u>

**Analysis of Balance:**

Land	\$ 6,286,565
Garage Buildings	7,652,632
Garage Rehabilitation	4,405,230
Garage Buildings - Midtown	16,033,275
Garage Buildings - 916 Garden Street	7,317,729
Garage Equipment	277,934
Observer Highway Improvements	483,898
Offstreet Parking	72,414
Parking Meters	125,035
Auto & Other Equipment	195,748
Furniture and Office Equipment	106,725
	<u><u>\$ 42,957,185</u></u>
	Above

**City of Hoboken  
Hudson County, New Jersey  
Parking Utility Fund**

**Schedule of Security Deposits**

Year Ended June 30, 2007

**Reference**

Balance, June 30, 2006	D	\$ 170,079
Increased by:		
Cash Receipts	D-4	<u>63,697</u>
Balance June 30, 2007	D	<u><u>\$ 233,776</u></u>

**Schedule of Accrued Interest Payable**

Year Ended June 30, 2007

**Reference**

Balance, June 30, 2006	D	\$ 784,583
Decreased by:		
Cash Disbursement	D-3	<u>142</u>
Balance, June 30, 2007	D	<u><u>\$ 784,441</u></u>

**Analysis of Accrued Interest at June 30, 2007:**

	<b><u>Outstanding Principal</u></b>	<b><u>Interest Rate</u></b>	<b><u>From</u></b>	<b><u>To</u></b>	<b><u>Interest</u></b>
General Obligation Bonds, Series 2002	\$ 22,935,000	3.8%	1/1/2007	6/30/2007	\$ 557,233
Bond Anticipation Note	5,000,000	5.74%	12/15/2006	6/30/2007	<u>227,208</u>
					<u><u>\$ 784,441</u></u>

**City of Hoboken**  
**Hudson County, New Jersey**  
**Parking Utility Fund**

**Schedule of Bond Anticipation Notes Payable**

Year Ended June 30, 2007

Improvement Description	Original Issue		Maturities of Bonds Outstanding -		Interest Rate	Balance June 30, 2006	Decreases	Balance June 30, 2007
	Date	Amount	Date	Amount				
Parking Utility Bond Anticipation Notes Series 2005A	12/15/2005	5,175,000	09/15/2007	5,000,000	5.74%	5,175,000	\$ 175,000	5,000,000
						<u>\$ 5,175,000</u>	<u>\$ 175,000</u>	<u>\$ 5,000,000</u>
					Reference	D	D-3	D

## Year Ended June 30, 2007

## Reference

**City of Hoboken**  
**Hudson County, New Jersey**  
**General Capital Fund**

**Schedule of Reserve for Amortization**

Year Ended June 30, 2007

	<b><u>Reference</u></b>	
Balance, June 30, 2006	D	<u>\$ 13,897,185</u>
Increased by:		
Bond Principal Paid	D-10	950,000
Note Principal Paid	D-9	<u>175,000</u>
		<u>1,125,000</u>
Balance, June 30, 2007	D	<u><u>\$ 15,022,185</u></u>



## **Single Audit Section**

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

The Honorable Mayor and Members  
of the City Council  
City of Hoboken  
County of Hudson  
Hoboken, New Jersey

We have audited the statutory-basis financial statements of the City of Hoboken (the "City"), County of Hudson, New Jersey, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 7, 2007, in which we expressed an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States due to the differences between those principles and the accounting practices prescribed by the *Division of Local Government Services* and which was qualified because a statement of general fixed assets is not presented in the financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States; audit requirements as prescribed by the *Division of Local Government Services, Department of Community Affairs, State of New Jersey*; and the standards applicable to financial Audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item # 07-GAS-1.

A material weakness based on auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe none of the reportable conditions described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which are described in the accompanying schedule of findings and questioned costs as item #07-GAS-1. We also noted certain additional matters that we have reported to the City's administration in the accompanying comments and recommendations section of this report.

This report is intended solely for the information and use of the City's administration and City council and for filing with the Division of Local Government Services, Department of Community Affairs, State of New Jersey, federal and state awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Garbarini & Co., P.C., CPA's

*Garbarini & Co.*

By: Paul C. Garbarini, CPA  
Registered Municipal Accountant  
License No. 120

December 7, 2007  
Carlstadt, New Jersey

**REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR LETTER 04-04**

The Honorable Mayor and Members  
of the City Council  
City of Hoboken  
County of Hudson  
Hoboken, New Jersey

Compliance

We have audited the compliance of the City of Hoboken (the "City"), County of Hudson, New Jersey, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the year ended June 30, 2007. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the City's administration. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the *Comptroller General of the United States*; *State of New Jersey's OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization*; and *New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and OMB A-133 and New Jersey OMB's *Circular 04-04* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2007.

## Internal Control Over Compliance

The administration of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal or state programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedure for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency*, is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response, and, accordingly we express no opinion on it.

This report is intended solely for the information and use of the City's administration, City Council and for filing with the Division of Local Government Services, Department of Community Affairs, State of New Jersey, federal and state awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Garbarini & Co., P.C., CPA's

*Garbarini & Co.*

By: Paul C. Garbarini, CPA  
Registered Municipal Accountant  
License No. 120

December 7, 2007  
Carlstadt, New Jersey

**CITY OF HOBOKEN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass Through Grantor Program Title	Fund	Federal CFDA Grant Number	Program Award	Cumulative Expenditures at June 30, 2006	2007 Receipts	2007 Expenditures	Cumulative Expenditures at June 30, 2007
<b>Dept. of Housing and Urban Development:</b>							
<b>Direct:</b>							
Section 8 Housing Assistance Program	Trust	14.856	\$ 8,353,299	\$ 5,226,288	\$ 1,526,740	\$ 1,822,318	\$ 7,048,606
Total Direct Programs			8,353,299	5,226,288	1,526,740	1,822,318	7,048,606
<b>Passed Through Hudson County Dept. of Finance and Admin.:</b>							
Community Development Block Grant - 2000	Trust	14.218	235,890	152,643			152,643
Community Development Block Grant - 2001	Trust	14.218	595,420	451,103	84,317	84,317	535,420
Community Development Block Grant - 2003	Trust	14.218	551,392	351,892	139,500	139,500	491,392
Community Development Block Grant - 2005	Trust	14.218	447,000	309,429	116,769	116,769	426,198
Community Development Block Grant - 2006	Trust	14.218	489,400		300,499	300,499	300,499
Community Development Block Grant - 2006 Administrative Costs	Current	14.218	100,000	100,000	100,000	100,000	100,000
Total Pass-Through Programs			2,419,102	1,265,067	741,085	741,085	2,006,152
Total U.S. Dept. of Housing and Urban Development			10,772,401	6,491,355	2,267,825	2,563,403	9,054,758
<b>Dept. of Justice:</b>							
<b>Direct:</b>							
Public Safety Partnership and Community Policing Grants							
COPS in Schools	Current	16.710	22,800	-	22,800	-	-
Secure Our Schools	Current	16.710	269,269		269,269	269,269	269,269
Safe School and Community- 2005	Current	16.710	38,949	38,517		432	38,949
Justice Assistance Grant	Current	N/A	14,431	-	14,431	14,432	14,432
Subtotal Public Safety Partnership and Community Policing Grants			345,449	38,517	306,500	284,133	322,650
Save the Youth Grant	Current	16.540	197,446	-	61,221	153,530	153,530
Local Law Enforcement Block Grant - 2005	Current	16.592	11,347	5,011		6,336	11,347
Total Direct Programs			554,242	43,528	367,721	443,999	487,527
<b>Department of Agriculture:</b>							
<b>Passed Through the NJ Department of Agriculture</b>							
Summer Food Service -Local Match	Current		20,000			12,103	12,103
Summer Food Service	Current	10.559	42,649		42,649	25,910	25,910
			62,649	-	42,649	38,013	38,013
<b>Department of Transportation</b>							
<b>Passed Through the NJ Department of Transportation</b>							
Safe Streets to School Program	Current	20.205	Prior Year	-	12,551		-
2005 Roadway Improvement Project	Current	20.205	Prior Year	-	114,926		-
State Highway Signage - Phase 1, 2004	Current	20.205	Prior Year	-	19,144		-
State Highway Signage - Hudson Place 2003	Current	20.205	Prior Year	-	32,585		-
2006 Roadway Improvement Program	Current	20.205	300,811	-	242,015	27,812	27,812
2006 Roadway Program - 8th Street Impr's	Current	20.205	390,000	-	261,895	329,624	329,624
Downtown Revitalization	Current	20.205	Prior Year	-	125,555	960	960
SFY 2007 Roadway Improvement Program	Current	20.205	450,000	-	-	163,833	163,833
Highway Planning and Construction -Misc Projects 2000-2005	Current	20.205	Prior Year		623,617	102,631	102,631
			1,140,811	-	1,432,288	624,860	624,860
<b>Department of Transportation</b>							
<b>Passed Through the NJ Division of Law &amp; Public Safety</b>							
State and Community Highway Safety (Walk Safe Pedestrian)	Current	20.600	20,000		20,000	16,621	16,621
<b>Department of Homeland Security</b>							
<b>Passed Through NJ Division of Law &amp; Public Safety</b>							
Urban Area Security Initiative Training	Current	97.008	15,320		15,320	15,320	30,640
<b>Department of Interior</b>							
<b>Direct</b>							
Urban Park Grant - Church Square Park	Current	10.559	50,606	18,914		31,692	50,606
Total Federal Assistance			\$ 12,616,029	\$ 6,553,797	\$ 4,145,803	\$ 3,733,908	\$ 10,303,025

N/A - not available

See Notes to Schedules of Expenditures of Federal and State Awards

**CITY OF HOBOKEN**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1a

State Program - Program Title	Fund	Program	Program Number	Program Award	Cumulative Expenditures at June 30, 2006	2007 Receipts	2007 Expenditures	Cumulative Expenditures at June 30, 2007
<b>Dept. of Community Affairs:</b>								
	Current	Domestic Violence	N/A	Prior Year	\$ 6,700		\$ 3,390	\$ 10,090
	Current	Domestic Violence	N/A	5,000		5,000		-
	Current	Protection and Prvention Grant	N/A	Prior Year			1,500	1,500
	Current	State Cooperative Housing Inspections	N/A	64,000		60,785	64,000	64,000
	Current	1118 Adams Street Urban Renewal	04-1955-00	2,250,000		1,980,000	2,061,250	2,061,250
Total Dept. of Community Affairs				2,319,000	6,700	2,045,785	2,130,140	2,136,840
<b>Dept. of Environmental Protection</b>								
	Current	Clean Communities Program - 2007	N/A	41,756		41,756		-
	Current	Clean Communities Program - 2006	N/A	35,734	5,836		23,982	29,818
	Current	Storm Water Grant	N/A	Prior Year			7,538	7,538
	Current	Recycling Tonnage Grant	N/A	117,320		19,190	117,320	117,320
	Current	Hazardous Discharge Site Remediation	N/A	19,893		-	-	-
	Current	Community Forestry Program	07-4870	2,000		2,000		-
Total Dept. of Environmental Protection				216,703	5,836	62,946	148,840	154,676
<b>Dept. of Health &amp; Senior Services</b>								
<b>Direct</b>								
	Current	Public Healthcare Management Caregivers	N/A	99,382		99,382		-
	Current	Public Health Priority Funding	N/A	6,212		6,212	-	-
Total Dept. of Health & Senior Services - Direct Programs				105,594	-	105,594	-	-
<b>Dept. of Law and Public Safety:</b>								
	Current	Body Armor Replacement Program -2007	00-BA-0905	14,359		14,359	-	-
	Current	Body Armor Replacement Program - 2008	00-BA-0905	9,928				-
	Current	Body Armor Replacement Program	00-BA-0905	Prior Year			20,447	20,447
	Current	Click-It-Or-Ticket		4,000	400		3,600	4,000
	Current	Drunk Driving Enforcement Fund		6,000		5,142	6,000	6,000
	Current	Anti Gang Initiative	N/A	Prior Year			992	992
Total Dept. of Law and Public Safety				34,287	400	19,501	31,039	31,439
<b>Dept. of Justice</b>								
	Current	Alcohol Ed Rehab Enforcement Fund	N/A	18,224		18,224		
				18,224	-	18,224	-	-
<b>Department of Treasury</b>								
<b>State Contingency Fund</b>								
	Current	Special Purpose Grant - 9/11/01 Memorial	N/A	110,000	-	110,000		-
	Current	Church Square Gazebo		100,000	4,850		49,260	54,110
	Current	Observer Hwy Firehouse		250,000	106,712		59,247	165,959
	Current	World War II Memorial		250,000	47,620		10,425	58,045
	Current	Madison Street Park		107,490	28,600	-	78,890	107,490
	Current	Summer in the Park		25,000	16,427		8,573	25,000
Total State Contingency Fund				842,490	204,209	110,000	206,395	410,604
<b>Total State Assistance</b>				<u>\$ 3,536,298</u>	<u>\$ 217,145</u>	<u>\$ 2,362,050</u>	<u>\$ 2,516,414</u>	<u>\$ 2,733,559</u>

N/A - not available

See Notes to Schedules of Expenditures of Federal and State Awards

**CITY OF HOBOKEN**  
**SCHEDULE OF EXPENDITURES OF COUNTY/ OTHER AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

<b>Federal Grantor/Pass Through Grantor Program Title</b>	<b>Fund</b>	<b>Grant Number</b>	<b>Program Award</b>	<b>Cumulative Expenditures at June 30, 2006</b>	<b>2007 Receipts</b>	<b>2007 Expenditures</b>	<b>Cumulative Expenditures at June 30, 2007</b>
NJ Youth Football Grant	Current		\$ 8,000	\$ -	\$ 4,000	\$ -	\$ -
Total Direct Programs			8,000	-	4,000	-	-
<b>Passed Through Hudson County Dept. of Finance and Admin.:</b>							
Hudson County Open Space Grant	Current		2,000,000				-
Municipal Alliance Program -2006	Current		46,543		28,657	46,543	46,543
Municipal Alliance Program - City Match	Current		11,522			9,004	9,004
Adult Day Care	Current		10,681		10,681		10,681
Comprehensive Program for the Elderly	Current		40,674		40,674		-
Total Pass-Through Programs			2,109,420	-	80,012	55,547	66,228
Fire Department Hazmat Grant	Current		36,000		36,000		36,000
Total County/Other Assistance			\$ 2,153,420	\$ -	\$ 120,012	\$ 55,547	\$ 102,228

N/A - not available

See Notes to Schedules of Expenditures of Federal and State Awards



CITY OF HOBOKEN  
NOTES TO SCHEDULES OF EXPENDITURES OF  
FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2007

**1. General**

The accompanying schedules of expenditures of federal and state awards present the activity of all federal award programs and all restricted state financial assistance programs of the City. All federal financial awards received directly from federal agencies, as well as expenditures of federal awards passed through other government agencies, are included on the schedule of expenditures of federal awards. All restricted state financial assistance received directly from state agencies, as well as restricted state financial assistance passed through other government agencies, are included on the schedule of expenditures of state awards. All local matching and interest income pertaining to or derived from federal awards and restricted state financial assistance are also presented in the accompanying financial schedules. Tax relief state financial assistance and other unrestricted state financial assistance programs are excluded from the schedule of expenditures of state awards, in accordance with New Jersey OMB Circular 04-04.

**2. Basis of Accounting**

The accompanying schedules of federal and state awards are presented using basis of accounting as described in Note 1.C of the City's financial statements.

**3. Relationship of Financial Statements**

Amounts reported in the accompanying financial schedules agree with amounts reported in the City's financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in the financial statements if the City.

**4. Other**

The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

CITY OF HOBOKEN  
NOTES TO SCHEDULES OF EXPENDITURES OF  
FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2007

**5. Sub recipient Awards**

During 2007, federal and state awards were granted to sub recipients as follows:

<b>Federal Grantor/Pass Through Grantor/Program Title</b>	<b>Federal CFDA #</b>	<b>Subrecipient</b>	<b>Subrecipient Awards</b>
U.S. Devdelopment of Housing and Urban Development: Community Development Block Grant	14.218	Hoboken Day Care 100	\$ 21,614
	14.218	H.O.P.E.S. Head Start	29,401
	14.218	Nuestros Ninos	36,144
	14.218	Mile Square Day Care	64,716
		Hoboken Family Planning	20,000
		Boys and Girls Club	10,000
		United Cerebral Palsy	2,000
			<u>\$ 183,875</u>
U.S. Department of Housing and Urban Development - Section 8 Housing	14.856	Elaires Corp. Inc.	911,345
		Elysion (Uplift)	839,175
		Mezzina	26,472
			<u>\$ 1,776,992</u>
Total federal awards to subrecipients			<u>\$ 1,960,867</u>

City of Hoboken  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

**Part I - Summary of Auditor's Results**

**Financial Statement Section**

A) Type of Auditor's Report Issued	Unqualified Adverse - GAAP - Statutory Basis		
B) Internal Control over Financial Reporting			
1) Material weakness(es) identified?	<u>Yes</u>	<u>X</u>	<u>No</u>
2) Were reportable conditions identified that were not considered to be material weaknesses?	<u>X</u> <u>Yes</u>		<u>No</u>
C) Noncompliance material to financial statements noted?	<u>Yes</u>	<u>X</u>	<u>No</u>

**Federal Awards Section**

D) Dollar threshold used to determine Type A and Type B Programs:	\$300,000		
E) Auditee qualified as low-risk auditee?	<u>Yes</u>	<u>X</u>	<u>No</u>
F) Type of auditor's report on compliance for major programs? - N/A	Report on compliance and on internal control statutory basis - UNQUALIFIED		
G) Internal Control over major programs			
1) Material weakness(es) identified?	<u>Yes</u>	<u>X</u>	<u>No</u>
2) Were reportable conditions identified that were not considered to be material weaknesses?	<u>Yes</u>	<u>X</u>	<u>No</u>
H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 [section 510(e)]?	<u>Yes</u>	<u>X</u>	<u>No</u>
I) Identification of major programs	Department of Housing and Urban Development Community Development Block Grants Department of Transportation		

City of Hoboken  
Schedule of Findings and Questioned Costs (continued)  
For the Year Ended June 30, 2007

Summary of Auditor's Results (Continued)

**State Awards Section**

J) Dollar threshold used to determine Type A Program	<u>\$300,000</u>		
K) Audited qualified as low-risk auditee?	<u>Yes</u>	<u>X</u>	<u>No</u>
L) Type of auditor's report on compliance for major Programs? – N/A	Report on compliance and on internal control statutory basis - <u>UNQUALIFIED</u>		
M) Internal Control over Compliance			
1) Material weakness identified	<u>Yes</u>	<u>X</u>	<u>No</u>
2) Were reportable conditions identified that Were not considered to be material weaknesses?	<u>Yes</u>	<u>X</u>	<u>No</u>
N) Any audit findings disclosed that are required to be Reported in accordance with N.J. OMB Circular 04-04,as amended?	<u>Yes</u>	<u>X</u>	<u>No</u>
O) Identification of major programs			

Grant Number

Name of State Program

Dept. of Community Affairs:  
1118 Adams Street Urban Renewal

\* The auditors' report is unqualified as presented in conformity with the accounting practices prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States. In accordance with SAS 77, we issued an adverse opinion on the financial statements as they pertain to accounting principles generally accepted in the United States.

City of Hoboken  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2007

**Part 2 - Schedule of Financial Statement Findings**

[This section identifies the reportable conditions, material weaknesses, and instances of noncompliance, related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.]

*Note: For each finding listed in Section II or III herein, an indication is made as to whether the condition constitutes a "Financial Statement Qualification", "Material Noncompliance", "Reportable Condition", "Instance of Noncompliance Required to be Reported" and/or "Material Weakness".*

**Finding # 07-GAS-1:**

**Criteria or Specific Requirement:**

One of the five major elements of internal control is "Information and Communication", which includes a financial reporting system that should accomplish the following:

1. Identify and record all valid transactions.
2. Provide, on a timely basis, sufficient detailed information about transactions to permit proper classification for financial reporting.
3. Allow transactions to be recorded at their proper monetary value in the financial statements.
4. Provide sufficient information to permit recording of transactions in the proper accounting period.
5. Properly present the transactions and related disclosures in the financial statements.

**Condition:**

1. Maintenance of the general ledger related to the current fund, capital fund, trust funds and grants needs improvement. Adjustments were required to reclassify accounts, correct entries, and update information. The beginning balance of the general ledger did not agree with the audited balances at June 30, 2006. The Finance Department was not in agreement with the balances per the audit report from June 30, 2006. This resulted in numerous grant expenditures against grants which had been previously canceled in previous audits. Several grants which were still active needed to be reinstated to correct balances. Journal entries were made to the general ledger without explanation in order to agree with the Annual Financial Statement.  
(Reportable Condition).

**Questioned Costs:**

None.

City of Hoboken  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2007

**Part 2 - Schedule of Financial Statement Findings (Continued)**

**Effect:**

The overall effect on the City's internal control with respect to the deficiencies described above is that the City has a reportable condition, relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

**Cause:**

The City did not agree with the balances on the June 30, 2006 audit report. The general ledger for the various funds was not maintained correctly.

**Recommendation:**

The following recommendations should be adhered to, and corresponding corrective action should be taken to the following items pertaining to the City's accounting records:

1. Continuing efforts should be exerted to maintain the general ledger for every fund and to keep it accurate and updated for all events and the data should be complete and carefully recorded in order to facilitate preparation of the financial statements. The general ledger should be adjusted to agree with the audit as of June 30, 2007. Any journal entries made should have the proper documentation.

City of Hoboken  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2007

**Section 3 – Schedule of Federal and State Awards Findings and Questioned Costs**

(This section identifies the reportable conditions, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB Circular 04-04, as amended.)

NONE

City of Hoboken  
Summary Schedule of Prior Audit Findings and  
Questioned Costs as Prepared by Management  
For the Year Ended June 30, 2007

(This section identifies the status of prior year audit findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (Section .315 (a)(b)) and New Jersey OMB Circular 04-04.)

**Finding # 06-GAS-1:**

**Recommendation:**

Continuing efforts should be exerted to maintain the general ledger for every fund and to keep it accurate and updated for all events and the data should be complete and carefully recorded in order to facilitate timely preparation of the financial statements.

**Status:**

Corrective Action has not been taken. See current year findings and questioned costs.

**Finding# 06-GAS-2:**

**Recommendation:**

The Tax Collector carefully review and approve the third party billing confirmation Before the bills are printed and mailed.

**Status:**

Corrective action has been taken.



CITY OF HOBOKEN  
GENERAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

An audit of the financial accounts and transactions of the City of Hoboken, in the County of Hudson, New Jersey (the "City") for the fiscal year ended June 30, 2007, has recently been completed. The results of the audit are herewith set forth.

**Scope of Audit**

The audit covered the financial transactions of the Tax Collector, Treasurer, the activities of the Mayor and Council, and the records of the various outside departments.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed.

Cash on hand was counted and balances of cash, cash equivalents and investments were reconciled with independent certifications obtained directly from the depositories.

Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

Our audit was made in accordance with auditing standards generally accepted in the United States and in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Therefore, our audit included the procedures noted above as well as tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

**Contracts and Agreements Required to be Advertised, Disqualification of Bidder – NJSA 40A:11-4**

N.J.S.40A:11-4 states "Every contract awarded by the contracting agents, for the provision or performance of any goods or services, the cost of which in the aggregate exceed the bid threshold [40A:11-3 "a contract year the total sum of \$21,000...If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$29,000."], shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law."

N.J.S.40A:11-9 states "The governing body of any contracting unit may by ordinance, in the case of a municipality, by ordinance or resolution, as the case may be, in the case of a county, or by resolution in all other cases, establish the office of purchasing agent, or a purchasing department or a purchasing board, with the authority, responsibility, and accountability as its contracting agent, for the purchasing activity for the contract in unit, to prepare public advertising for bids and to receive bids for the provision or performance of goods or services on behalf of the contracting unit and to award contracts permitted pursuant to subsection a. of section 3 of P.L.1971, c. 198 (C.40A:11-3) in the name of the contracting unit, and conduct any activities as may be necessary or appropriate to the purchasing function of the contracting unit."

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$29,000 within the fiscal year and, where question arises as to whether any contract or agreement might result in violation of the statute, the Corporation Counsel's opinion shall be sought before a commitment is made.

CITY OF HOBOKEN  
GENERAL COMMENTS  
(Continued)

The system of records did not provide for an accumulation of payments by categories of materials or supplies, or related work or labor. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$29,000 "for the performance of any work, or the furnishing of labor materials and supplies or the hiring of teams or vehicles," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-5.

**Collection of Interest on Delinquent Taxes, Assessments and Utility Charges**

N.J.S.A 54:4-67, as amended, provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Governing Body adopted the following resolution authorizing interest to be charged on delinquent taxes:

"WHEREAS, N.J.S.A. 54:4-67 authorizes the Governing Body of a Municipality to fix the rate of interest to be charged for non-payment of taxes on or before the date when they would become delinquent, and may provide that no interest shall be charged if payment of any installation is made within the tenth calendar day following the date upon which the same became payable;

NOW, THEREFORE, BE IT RESOLVED BY THE MUNICIPAL COUNCIL OF THE CITY OF HOBOKEN that the rate of interest to be charged on delinquent taxes shall be 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500, to be calculated from the date the tax was payable until the date of actual payment.

BE IT FURTHER RESOLVED by the Municipal Council of the City of Hoboken that the taxes shall be considered delinquent if not paid within the tenth calendar day following the date upon which the same became payable.

The Governing Body also adopted the following resolution:

WHEREAS, N.J.S.A. 54:4-67 permits municipalities to charge interest on delinquent taxes in excess of \$10,000, where the taxpayer fails to pay the delinquency prior to the end of the calendar year, at a rate of six percent (6%) of the delinquency; and

WHEREAS, the Tax Collector has recommended the adoption of same as being in the best interest of the City of Hoboken;

NOW, THEREFORE, BE IT RESOLVED BY THE MUNICIPAL COUNCIL OF THE CITY OF HOBOKEN that the Tax Collector is hereby authorized to charge interest of six percent (6%) on any parcel of land with a delinquency in excess of \$10,000, which is not satisfied by the end of the calendar year.

**Tax Sale**

The last tax sale was held on June 29, 2007 and was complete.

Inspection of the tax sale certificates on file revealed that all sale certificates were available for audit.

CITY OF HOBOKEN  
GENERAL COMMENTS  
(Continued)

The following comparison is made of the number of tax title liens receivable on June 30, 2007, 2006 and 2005:

<u>Year</u>	<u>Number of Liens</u>
2007	50
2006	51
2005	50

**Comparative Schedule of Tax Rate Information**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Tax Rate	<u>3.490</u>	<u>\$ 3.434</u>	<u>\$ 3.287</u>
Apportionment of Tax Rate:			
Municipal	\$ 1.063	\$ 0.976	\$ 0.832
County	1.217	1.237	1.220
Local School	1.210	1.221	1.211
Type I School District	-	-	0.024

<u>Year</u>	<u>Assessed Valuation</u>
2007	\$ 2,818,798,604
2006	2,723,040,818
2005	2,581,437,395

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2007	\$ 101,710,705	\$ 101,643,666	99.93
2006	88,865,063	88,861,771	99.95
2005	52,598,886	52,556,422	99.90

CITY OF HOBOKEN  
GENERAL COMMENTS  
(Continued)

**Delinquent Taxes and Tax Title Liens**

This tabulation includes a comparison on June 30, 2007, 2006 and 2005, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2007	\$ 469,752	\$ 2,082	\$ 471,834	0.46
2006	453,254	3,292	456,546	0.51
2005	436,939	42,469	479,408	0.58

**Property Acquired by Tax Title Lien Liquidation**

The value of property acquired by liquidation of tax title liens on June 30, 2007, 2006 and 2005 on the basis of the last assessed valuation on such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 2,806,900
2006	2,806,900
2005	2,806,900

CITY OF HOBOKEN  
OFFICIALS IN OFFICE AND SURETY BONDS  
AT JUNE 30, 2007

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
David Roberts	Mayor	
Theresa Castellano	Councilwoman – 1 <sup>st</sup> Ward	
Richard Del Boccio	Councilman – 2 <sup>nd</sup> Ward	
Michael Russo	Councilman – 3 <sup>rd</sup> Ward	
Christopher Campos	Councilman – 4 <sup>th</sup> Ward	
Michael Cricco	Councilman – 5 <sup>th</sup> Ward	
Angelo Giacchi	Councilman – 6 <sup>th</sup> Ward	
Peter Cammarano	Councilwoman at Large	
Ruben Ramos, Jr.	Councilman at Large	
Theresa LaBruno	Councilman at Large	
Richard England	Business Administrator, Director – Department of Administration	*
George DeStefano	Chief Financial Officer	*
Joseph Peluso	Director – Dept. of Environmental Services	*
Carmelo Garcia	Director – Dept. of Human Services	*
Fred Bado	Director – Dept. of Community Development	*
James Farina	Municipal Clerk	*
Louis Picardo	Tax Collector	***
Joseph S. Sherman	Corporation Counsel	*
Richard England	Purchasing Agent	*
Sal Bonnacorsi	Tax Assessor	*
Kimberly Glatt	Municipal Judge/Magistrate	**
Roseann Gohde	Municipal Court Director	**

\* The City has a blanket public officer bond of \$100,000 for all city employees.

\*\* The Municipal Court has a \$270,000 blanket surety bond for all court personnel

\*\*\* The City has a \$750,000 surety bond for the Tax Collector.

## **Comments and Recommendations**

CITY OF HOBOKEN  
COMMENTS AND RECOMMENDATIONS  
YEAR ENDED JUNE 30, 2007

***Comment #1: Construction Department Cash Receipts***

We noted that the Construction Department submits its cash collections to the Division of Finance on a weekly basis.

Cash collections should be remitted to the Division of Finance and deposited with the bank within 48 hours of receipt. *(Repeat of prior year recommendation)*

***Comment #2: Review of Asset Appraisal Report***

The City had hired an appraisal company to prepare a listing of the City's assets as well as appraise each asset's value. The report prepared was for the fiscal year ended June 30, 2004. The appraisal company should be contacted to update the report yearly. *(Repeat of prior year recommendation)*

***Comment #3: Interfund Balance***

Interfund receivable and payable balances remain at year-end.

The City should minimize interfund activity during the year and liquidate all interfunds at the end of each fiscal year. *(Repeat of prior year recommendation)*

***\*Comment #4: Current and Trust Fund Reserves***

The following reserves for expenditures were established in the Trust Fund without corresponding riders in accordance with N.J.S.A. 40A:4-39:

**Trust Fund**

Affordable Housing (Wanaque)  
Division of Cultural Affairs (Pending Approval)  
North Haledon RCA  
Police Athletic League  
Police Department Memorial Fund (Pending Approval)  
Shade Tree Commission (Pending Approval)  
Workers' Compensation Insurance

Spending reserves should be established by riders. *(Repeat of prior year recommendation)*

CITY OF HOBOKEN  
COMMENTS AND RECOMMENDATIONS  
YEAR ENDED JUNE 30, 2007

***Comment #5: Grant Management- Lack of Formal Procedures***

There is no formal process in place for the Grants Management Department to report grant activity to the Administrator and Finance Division. We also noted that the Grants Management Department does not maintain a centralized file of all grant agreements. Some departments apply and maintain their own grants without providing the Grants Management Department with all documentation for the grant.

We suggest the City perform a Business Process Improvement Review of the Grants Management Department to identify the current practices and develop procedures to enhance the controls over reporting and compliance monitoring.

In addition, the City should prepare a detailed policies and procedures grants manual. This document should describe the necessary steps to record all grant activity, maintenance of grant documents and reporting of grant application activity to the Administrator as well as Department Heads that are responsible for compliance with the respective grant.

Reporting to the Administrator and respective Department Heads is lacking in the following areas:

- status and activity of all awarded grants on a monthly basis
- the department heads who have applied for their own grants should give copies of all documentation to the Grants Management Department.

*(Repeat of prior year recommendation)*



CITY OF HOBOKEN  
COMMENTS AND RECOMMENDATIONS  
YEAR ENDED JUNE 30, 2007

***Comment #6: Violation of Local Public Contract Law***

Our examination of expenditures indicated instances where five vendors exceeded the bidding threshold and were not advertised for bids;

1. Janitorial supplies
2. Skate park ramps
3. Plumbing
4. Parking utility meter collections & maintenance
5. Parking utility garage operations

N.J.S.A. 40A:11-4 states "Every contract awarded by the contracting agents, for the provision or performance of any goods or services, the cost of which in the aggregate exceed the bid threshold [40A:11-3 "a contract year the total sum of \$ 21,000...If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$29,000."], shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

The City should monitor or estimate contracts that will require advertisement and bidding under N.J.S.A. 40A:11-4 and Local Public Contracts Law.

***Comment #7: Over-expenditure of Appropriation & Incorrect Classification of Budget Expenditures***

There was an overexpenditure of budget appropriations in the amount of \$617,702. On August 2, 1990, Chapter 131 of the Laws of 1989 was enacted into law, making the disbursing of monies or the incurring of obligations by public officials in excess of appropriations or an amount limited by law a gross violation of state statute.

The City should monitor its expenditures to avoid over-expenditures of budget appropriations.

Several expenditures in the amount of \$ 1,423,373 were charged to either the incorrect budget year or the incorrect line item. Insurance charges appeared on salary and wage and other expense line items and capital charges were charged to down payment of improvements.

Vouchers should be reviewed carefully to avoid misclassifications of budget expenditures.

CITY OF HOBOKEN  
COMMENTS AND RECOMMENDATIONS  
YEAR ENDED JUNE 30, 2007

***Comment #8: Parking Utility Meter Collection***

In December of 2005, the Parking Utility contracted with United Textile Fabricators for meter collection and maintenance. Meter collections had decreased dramatically during their contract term. The City of Hoboken, "the City", has estimated that the amount receivable from United Textile Fabricators is undetermined at this time. The contract with the United Textile has expired and they are now on a month to month basis. In November of 2007, the City amended the procedures to be followed by United Textile Fabricators. The vendor now collects from the meters and deposit directly into a depository in the name of the City of Hoboken Parking Utility. United Textile Fabricators had been previously taking the coins to their place of business in Toms River, NJ and depositing the funds in their accounts. There has been subsequent collections from July 1, 2007 through the date of our audit of amounts due from prior periods.

On December 4, 2007, the City engaged Garbarini & Co. P.C. CPA's to apply agreed-upon procedures to the books and records of United Textile Fabricators to determine the correct receivable of meter collections not turned over to the City. A separate report will be issued at the completion of the agreed-upon procedures.

***Comment # 9 Employee Health, Dental and Vision Insurance***

There were numerous employees which are retired and still on the active insurance list. Those that are still eligible for health, dental or vision insurance should be reclassified to the retired employee list. There were also numerous deceased and or retired employees which should be remove from the health, dental and or vision insurance who are no longer eligible.

## **APPRECIATION**

We desire to express our appreciation of the assistance and courtesies rendered by the City Officials and employees during the year.

\*\*\*\*\*

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

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## **APPENDIX E**

### **FORM OF INDENTURE OF TRUST AND FOURTH SUPPLEMENTAL INDENTURE**

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**INDENTURE OF TRUST**  
  
**Between**  
  
**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**  
  
**and**  
  
**COMMERCE BANK, NATIONAL ASSOCIATION, as Trustee**  
  
**Dated as of February 1, 2007**

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09/23/2008 4:09 PM

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## INDENTURE OF TRUST

**THIS INDENTURE OF TRUST** dated as of February 1, 2007 (this “*Indenture*”) by and between the **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**, a public body corporate of the State of New Jersey (the “*Authority*”), and **COMMERCE BANK, NATIONAL ASSOCIATION**, as trustee (together with its successors in the trust created hereunder, the “*Trustee*”), a banking corporation organized under the laws of the United States, with fiduciary and trust powers in the State of New Jersey, having a corporate trust office in Cherry Hill, New Jersey.

### WITNESSETH:

**WHEREAS**, the Hoboken Municipal Hospital Authority (the “*Authority*”) has been established by the City of Hoboken, in the County of Hudson, New Jersey (the “*City*”) pursuant to the Municipal Hospital Authority Law, N.J.S.A. 30:9-23.15 *et seq.* (the “*Act*”), to acquire certain assets relating to “St. Mary Hospital” (the “*Hospital Facilities*”) in order to ensure that the citizens of the City continue to have access to affordable healthcare, to maintain and improve the health and welfare of its citizens and to operate them; and

**WHEREAS**, in furtherance of its powers and pursuant to the provisions of the Act, the Authority may issue, from time to time, its bonds, notes or other obligations (collectively, the “*Obligations*”), and may secure such Obligations in the manner provided in the Act; and

**WHEREAS**, the Authority has determined to acquire the Hospital Facilities and, in connection therewith, to finance, among other things, initial working capital for the Authority, the establishment of certain reserve funds, the acquisition of certain real and personal property, the construction of certain capital improvements, and the payment of costs of issuance, all as more fully described in the hereinafter defined Bond Resolution (the “*Initial Project*”); and

**WHEREAS**, to finance a portion of the costs of the Initial Project, the Authority has determined to issue one or more initial series of bonds, in an aggregate principal amount not to exceed \$52,000,000 (the “*Initial Bonds*”), which Initial Bonds will be issued pursuant to the Act and this Indenture; and

**WHEREAS**, pursuant to the provisions of the Act, specifically N.J.S.A. 30:9-23.21(c), the City is authorized to unconditionally guarantee the punctual payment of the principal of and the interest on any obligations issued by the Authority by ordinance duly adopted by the City Council in the manner provided in the Act and the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.* (the “*Local Bond Law*”); and

**WHEREAS**, the Authority has made a detailed report dealing with the Initial Project (in the form of an application to the Local Finance Board), and has delivered a copy of such report to the City Council; and

**WHEREAS**, the Authority may, from time to time, issue hereunder one or more additional series of bonds, notes or other obligations on a parity with the Initial Bonds (collectively with the Initial Bonds, the “*Bonds*”); and

**WHEREAS**, in order to provide inducement to the prospective purchasers of the Initial Bonds to purchase same and in order to provide additional security to the holders thereof, in accordance with the terms of the Act and the Local Bond Law, the City will provide for the guaranty of the Bonds to be issued by the Authority and for the execution of one or more guaranty agreements relating thereto (collectively, the “*City Guaranty*”); and

**WHEREAS**, all things necessary to make the Bonds when authenticated by the Trustee and issued as provided for in this Indenture, the valid, binding and legal obligation of the Authority according to the import thereof, and to constitute this Indenture a valid assignment and pledge of the Revenues (as herein defined) of the Authority for payment of the principal, and premium, if any, of and interest on, the Bonds have been done and performed, and the creation, execution and delivery of this Indenture, and the issuance of the Initial Bonds, subject to the terms hereof, have in all respects been duly authorized;

**NOW, THEREFORE**, for and in consideration of the premises and the mutual covenants and representations hereinafter contained, and intending to be legally bound, the parties hereby mutually agree as follows:

**KNOW ALL PERSONS BY THESE PRESENTS, THIS INDENTURE WITNESSETH:**

### GRANTING CLAUSES

The Authority, intending to be legally bound hereby and in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Owners thereof, and of the sum of one dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure, as provided herein, the payment of the principal or redemption price of and interest on, the Bonds according to their tenor and effect and to secure the performance and observance by the Authority of all the covenants expressed herein and in the Bonds, does hereby assign and grant a security interest in the following (the “*Trust Estate*”) to the Trustee, and its successors in trust and assigns forever (subject to discharge as provided for in Article IX hereof), for the securing of the performance of the obligations of the Authority hereinafter set forth:

### GRANTING CLAUSE FIRST

All right, title and interest of the Authority in and to the Revenues and all money and securities from time to time held by the Trustee under the terms of this Indenture or credited to any fund or account established hereunder, other than any monies or securities in the Rebate Fund, including but not limited to the present and continuing right to make claim for, collect,

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receive and receipt for any of the Revenues and other sums, amounts, income, revenues, issues and profits and any other sums of money payable or receivable hereunder or hereunder or under the Bonds and under the City Guaranty, to bring actions and proceedings hereunder or for the enforcement thereof, to grant consents, approvals and waivers, and to do any and all things which the Authority is or may become entitled to do hereunder.

### GRANTING CLAUSE SECOND

Any and all other property rights and interests of every kind and nature from time to time hereafter acquired by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, or pledged to the Trustee, or otherwise subjected hereto, as and for additional security herewith (as expressly provided for in a written agreement), by any other Person on its behalf or with its written consent or by the Authority or any other Person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

### GRANTING CLAUSE THIRD

Any and all monies or proceeds of collateral (including real property) acquired by the Authority as a result of the exercise of any remedies under this Indenture.

**TO HAVE AND TO HOLD** all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in said trust and assigns forever;

**IN TRUST NEVERTHELESS**, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Bonds, from time to time, issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any portion of the principal of the Bonds over any other portion of the principal of the Bonds, except to the extent otherwise expressly provided herein (including the provisions hereof governing the application of various funds and accounts for the benefit of particular series of Bonds);

**PROVIDED, HOWEVER**, that if the Authority, its successors or assigns, shall well and truly pay, or cause to be paid, the principal or redemption price of and interest on, the Bonds due or to become due thereon, at the times and in the manner set forth in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made on the Bonds as required hereunder, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, or such lesser amount to be invested and held as provided in Article XII hereof, and shall well and truly cause to be kept, performed and observed all of its covenants and conditions pursuant to the terms of this Indenture, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon the final payment thereof this Indenture and the rights hereby granted shall cease, terminate and be void, except to the

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extent specifically provided in Article XII hereof; otherwise this Indenture shall remain in full force and effect.

**THIS INDENTURE FURTHER WITNESSETH**, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property, rights and interests, including, without limitation, the amounts payable under this Indenture and any other amounts hereby assigned and pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as herein expressed, and the Authority has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the Owner(s) of the Bonds as follows:

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**ARTICLE I**  
**Definitions and Interpretations**

**Section 101. Definitions.**

The following terms which are used as defined terms herein, unless the context clearly requires otherwise, shall have the meanings which are set forth below:

“Accountant” means any independent certified public accountant of the State of New Jersey (who may be the accountant or a member of the firm of accountants who regularly audit the books and accounts of the Authority) selected by the Authority from time to time.

“Accounting Period” means a calendar month.

“Act” means the Municipal Hospital Authority Law of New Jersey, constituting Chapter 46 of the Pamphlet Laws of 2006, of the State of New Jersey (N.J.S.A. 30-9-23.15 *et seq.*), and the acts amendatory thereof and supplemental thereto.

“Additional Bond” means any of the bonds of the Authority which are authorized and issued under and pursuant to the terms of Section 311 hereof.

“Annual Budget” means the budget or the amended budget for a Fiscal Year, as adopted by the Authority in accordance with the provisions of Section 609 hereof and the provisions of the Act and of the Local Authorities Law, and as may be amended or supplemented from time to time; provided however that if no Annual Budget has been adopted by the Authority, the Annual Budget shall mean the proposed budget or budgets of the Authority for such interim period.

“Annual Debt Service” means, with respect to any Series of Bonds and any Fiscal Year, (i) interest on Outstanding Bonds, and (ii) Principal Installments on such Series of Bonds payable during such Fiscal Year.

“Authority” means the Hoboken Municipal Hospital Authority, a public body politic and corporate of the State of New Jersey organized and existing under the Act and created and existing by virtue of an ordinance of the governing body of the City.

“Authority Officer” means the Chairman, the Vice Chairman, the Executive Director, the Secretary, the Treasurer and the Assistant Secretary of the Authority and, when used with reference to an act or a document, also means any other person who shall be authorized by resolution of the Authority to perform such act or to execute such document.

“Authorized Newspaper” means a newspaper customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the County of Hudson, New Jersey, or in the Borough of Manhattan, City and State of New York, which may be The Bond Buyer.

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prior to said date of computation. The initial Capital Replacement Requirement shall be set forth in a Supplemental Indenture or resolution of the Authority duly adopted prior to the authentication and delivery of the Initial Bonds.

“City” means the City of Hoboken, in the County of Hudson, New Jersey, a municipal corporation of the State.

“City Guaranty” means the guaranty of the City adopted pursuant to N.J.S.A. 30-9-23.21(c), securing the timely payment of the principal of and interest on all or a portion of the Bonds issued by the Authority, as approved by ordinance or ordinances of the City Council of the City, as same may be amended from time to time.

“Code” means the Internal Revenue Code of 1986, as the same may be amended from time to time, and the regulations promulgated thereunder, and any regulations promulgated under the Internal Revenue Code of 1954, as amended, to the extent applicable to the Bonds.

“Construction Fund” means the fund so designated which is herein established and created by the Authority pursuant to the terms of Section 401 hereof.

“Cost” or “Costs of the Hospital” means “cost” as defined in the Act.

“Counsel’s Opinion” means an opinion which shall be signed by an attorney or firm of attorneys of recognized standing (who may be counsel to or of counsel to the Authority) which shall be selected by the Authority, which opinion shall be satisfactory in form and content to the Authority, and, if such opinion is required to be delivered to the Trustee, which opinion shall be satisfactory in form and content to the Trustee.

“Debt Service” for any period means, as of any date of calculation, and with respect to a Series of Bonds, an amount equal to the sum of (i) the amount of interest accruing during such period on Outstanding Bonds of such Series except to the extent that such interest is to be paid from deposits in the Debt Service Fund made from Bond proceeds or by payment of investment income which is required to be deposited or transferred into the Debt Service Fund, and (ii) that portion of each Principal Installment for such Series of Bonds that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series of Bonds or, if there shall be no preceding Principal Installment due date, from a date one year (or such lesser period as shall be appropriate if Principal Installments shall become due more frequently than annually) preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever is later; provided however, that in the case of Variable Rate Bonds, with respect to a particular period the date of calculation, the interest rate thereon shall be calculated at the lesser of the maximum short-term rate prevailing in the preceding twelve months for said Variable Rate Bonds or the Maximum Interest Rate established for said Variable Rate Bonds.

“Debt Service Fund” means the fund so designated which is herein established and created by the Authority pursuant to the terms of Section 501 hereof.

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“Bon Secours” means Bon Secours Health System, Inc., a Maryland not-for-profit corporation, and/or any of its affiliates.

“Bond” or “Bonds” means any of the bonds (whether Variable Rate Bonds or Fixed Rate Bonds), Project Notes and other obligations, whether issued on a taxable or tax-exempt basis, of the Authority which shall be authenticated and delivered in one or more Series under and pursuant to the terms of this Indenture.

“Bondholder”, “Owner” or the term “Holder” or any similar term when used with reference to a Bond or Bonds means the Registered Owner. A Financing Facility Provider or Liquidity Provider which owns Bonds by purchase or is subrogated to the rights of Bondholders is a Bondholder for purposes of the Indenture.

“Bond Counsel” means GluckWalrath LLP or such other attorney or firm of attorneys with experience and nationally recognized expertise in the area of municipal finance as may be appointed by the Authority from time to time.

“Bond Insurer” means the municipal bond insurance provider with respect to any series of Bonds, and means Financial Security Assurance Inc. and its successors with respect to the Series 2007 Bonds.

“Bond Payment Obligations” mean the Authority’s obligation to pay the principal or Redemption Price of and interest on the Bonds, including Bonds held by Financing Facility Providers and Liquidity Providers.

“Bond Resolution” means a resolution of the Authority adopted by the Authority on January 3, 2007 entitled “A RESOLUTION AUTHORIZING THE ISSUANCE OF HOSPITAL REVENUE BONDS, NOTES OR OTHER OBLIGATIONS OF THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY”, as amended and supplemented.

“Book-Entry Bonds” mean any Bonds which are issued in book-entry form as evidenced by a single certificate for each stated principal maturity of the Bonds which Bonds are in registered form and delivered to a Securities Depository.

“Business Day” means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which either State or federally chartered banking institutions in the City of New York or the State of New Jersey are authorized or obligated by law or executive order to close.

“Capital Replacement Fund” means the fund so designated which is established and created by the Authority pursuant to the terms of Section 501 hereof.

“Capital Replacement Requirement” means as of any particular date of computation, the amount, if any, which is reasonably necessary and desirable as a reserve for expenses with respect to a Project for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals, as shall most recently have been stated the Annual Budget of the Authority and filed with the Trustee by the Authority not more than twelve months

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“Debt Service Requirement” means as of any particular date of computation in a Fiscal Year, and with respect to Bonds Outstanding on such date, an amount of money equal to any unpaid interest, Redemption Price or principal due, plus all interest payable on or payment of which is deemed to accrue through the end of the Accounting Period during which such date of computation occurs and all principal payable on or the payment of which is deemed to accrue through the end of such Accounting Period. For purposes of computing the Debt Service Requirement, interest for Variable Rate Bonds shall be computed in accordance with the requirements which are set forth therefor in the definition of “Debt Service” above.

“Debt Service Reserve Fund” means the fund so designated which is herein established and created by the Authority pursuant to the terms of Section 501 hereof.

“Debt Service Reserve Financing Facility” means any letter of credit, surety bond, loan agreement or other credit agreement, facility, insurance or guarantee arrangement issued by a financial institution, insurance company or association which is obtained by the Authority, in satisfaction of all or any portion of the Debt Service Reserve Requirement.

“Debt Service Reserve Requirement” means, as to each series of Bonds, the amount, if any, which has been determined by a Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of such Series of Bonds, or by a Series Resolution. All or any portion of the Debt Service Reserve Requirement may be satisfied by depositing funds in the Debt Service Reserve Fund or by obtaining a Debt Service Reserve Financing Facility.

“Defeasance Securities” mean, if and to the extent the same are at the time legal for investment of the Authority’s funds, (i) any direct and general obligations of, or any obligations guaranteed by, the United States of America, including but not limited to interest obligations of the Resolution Funding Corporation or any successor thereof, (ii) non-callable notes, bonds, debentures, mortgages or other evidence of indebtedness that, at the time acquired, are (a) issued or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, the Federal Farm Credit System or any other instrumentality of the United States of America, and (b) rated in the highest rating category, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds, (iii) any obligations of any state or political subdivision of a state (“Refunded Bonds”) which are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of the Refunded Bonds, (iv) certificates of ownership of the principal or interest of direct and general obligations of, or obligations guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System (v) obligations described in clause (ii) of the definition of “Investment Obligations,” and (vi) obligations described in clause (x) of the definition of “Investment Obligations” which are rated, at the time of purchase, in the highest rating category, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds.

“Fiduciary” means the Trustee, the Registrar, the Paying Agent, the Tender Agent, the Remarketing Agent, or any and all of them, as the case may be.

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"Financing Facility" means, to the extent permitted by law, any revolving credit agreement, agreement establishing a line of credit or letter of credit, reimbursement agreement, interest rate exchange agreement, currency exchange agreement, interest rate floor or cap, options, puts or calls to hedge payment, currency, rate, spread or similar exposure or similar agreements, float agreements, forward agreements, insurance contracts or policies, surety bonds, commitments to purchase or sell bonds, purchase or sale agreements, or commitments or other contracts or agreements and other security agreements, including Swaps and Liquidity Facilities.

"Financing Facility Payment Obligations" mean all payment and reimbursement obligations of the Authority to a Financing Facility Provider in connection with any Financing Facility securing or entered into in connection with all or a portion of any Series of Bonds.

"Financing Facility Provider" shall mean the issuer or provider of a Financing Facility.

"Fiscal Year" means the period of twelve consecutive months, as shall be determined from time to time by a resolution duly adopted by the Authority. The current Fiscal Year of the Authority is the calendar year.

"Fixed Rate Bonds" means any Bonds which bear interest at a fixed, non-variable interest rate from the date such Bonds are issued by the Authority or converted (in the case of Variable Rate Bonds which are converted to Fixed Rate Bonds), as the case may be, until the stated maturity date thereof or the date fixed for redemption, as the case may be.

"Government Grant" means any sum of money which is hereafter received or which is receivable by or on behalf of the Authority from the United States of America or any instrumentality, authority or agency thereof, or from the State of New Jersey, or from any instrumentality, county, municipality, authority or agency thereof, as or on account of a grant or contribution not repayable by the Authority, in and of, or with respect to, the construction, acquisition, operation or other development of any part of the Hospital Facilities or Costs associated therewith, or a financing of any such planning, design, construction, acquisition, operation or development.

"Government Loan" means any such of money which is hereafter received or receivable by or on behalf of the Authority from the United States of America or any instrumentality, authority or agency thereof, or from the State of New Jersey, or any instrumentality, county, municipality, authority or agency thereof, as or on account of a loan which is repayable by the Authority in accordance with the terms established with respect thereto, in and of, or with respect to, the (a) planning, design, construction, acquisition, operation or other development of any part of the Hospital Facilities or Costs associated therewith, or (b) financing of any such planning, design, construction, acquisition, operation or development.

"Herein," "hereunder," "hereby," "hereto" and "hereof" and any similar terms refer to the Indenture; the term "heretofore" means prior to the adoption of the Indenture; and the term "hereafter" means subsequent to the adoption of the Indenture.

"Hospital" means the Hoboken University Medical Center, formerly known as St. Mary Hospital, located in the City and including such real and personal property utilized for its operations and such other facilities as the Authority may determine by resolution.

"Indenture" means this Indenture of Trust, as it may be amended or supplemented from time to time in accordance with its terms.

"Indexing Agent" means a nationally recognized indexing authority, or any other corporation, association or investment banking institution having skill and expertise in connection with the determination of an interest rate to be borne by variable rate obligations (which may, but need not, be the Remarketing Agent), in order to assist, to the extent provided in Section 313 hereof, in determining the rate of interest to be borne by Variable Rate Bonds, or any other corporation, firm or association which may at any time be substituted in its place pursuant to the terms of the Indenture, as shall be appointed by the Authority pursuant to the terms of a Supplemental Indenture or Series Resolution authorizing such Variable Rate Bonds.

"Interest Index" means the index, if any, which shall be used to determine the variable rate of interest to be borne by Variable Rate Bonds, which index shall be established in accordance with the terms of a Supplemental Indenture or Series Resolution authorizing such Variable Rate Bonds.

"Interest Payment Date" means, with respect to a Series of Bonds, each date set forth in the Supplemental Indenture or Series Resolution authorizing such Series of Bonds on which accrued interest on the Bonds of such Series shall be payable.

"Interest Period" means a specified period for the calculation of interest on Variable Rate Bonds, as more specifically provided in a Supplemental Indenture or Series Resolution authorizing such Variable Rate Bonds.

"Investment Agreement" means an investment agreement with (i) a commercial bank or trust company or a national banking association in any case having a capital stock and surplus of more than \$100,000,000, or (ii) an insurance company with the highest rating provided by A.M. Best Company, or (iii) a corporation; provided that the credit of such commercial bank or trust company or national banking association, insurance company or corporation, as the case may be, is rated (or, in the case of a corporation, whose obligations thereunder are guaranteed by a corporation whose credit is rated) not lower than the rating category of any two Rating Agencies then rating the Bonds required to maintain the rating then in effect or to obtain the rating to be obtained on the Bonds in respect of which such Investment Agreement is entered into, which agreement provides for the investment of funds held in the Funds and Accounts, which funds shall be collateralized by at least one hundred two (102%) percent in principal amount of Investment Securities, as the same may be amended from time to time.

"Investment Obligations" mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds:

- (i) Defeasance Securities;

(ii) Bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States to the extent such obligations are guaranteed by the United States or by another such agency the obligations (including guarantees) of which are guaranteed by the United States;

(iii) Bonds, debentures, notes or other evidences of indebtedness issued by any corporation chartered by the United States (stripped securities are only permitted if they have been stripped by the agency itself), including, but not limited to, Governmental National Mortgage Association, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Resolution Funding Corporation, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;

(iv) Negotiable or non-negotiable certificates of deposit (or other interest-bearing arrangements) issued by any bank, trust company or national banking association, including a Fiduciary, which certificates of deposit shall be continuously secured or collateralized by obligations described in subparagraphs (i) or (ii) of this definition, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;

(v) Uncollateralized negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, the unsecured obligations of which are rated, at the time of purchase, in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies;

(vi) Repurchase agreements collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies, or any commercial bank with the above ratings, provided:

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction, which characterizes the transaction as a purchase and sale of securities,

(b) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$75,000,000 or (iii) a bank approved in writing for such purpose by each Financing Facility

Provider, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 *et seq.* or 31 CFR 350.0 *et seq.* or a successor provision in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of six months or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation,

(e) the repurchase agreement matures on or before a Payment Date (or, if held in a Fund other than the Debt Service Fund, other appropriate liquidation period), and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to the collateral levels established by a Rating Agency for the rating assigned by the Rating Agency to the seller.

(vii) Banker's acceptances, eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided for by subparagraphs (iv) and (v) above) of the domestic branches of foreign banks having a capital and surplus of \$1,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus in the amount of \$1,000,000,000; provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of Funds under this Indenture with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further than any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies;

(viii) Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State of New Jersey or which are legal investments for savings banks in the State of New Jersey;

- (ix) Deposits in the New Jersey Cash Management Fund;

(x) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds;

(xi) Commercial paper with a maturity date not in excess of 270 days rated by the Rating Agencies at least equal to the rating assigned by the Rating Agencies to the applicable Series of Bonds and in no event lower than the "A" category established by a Rating Agency

(which may include subcategories indicated by plus or minus or by numbers) at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof;

(xii) Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is then rated in any of the three highest rating categories by at least one Rating Agency which is then rating the Bonds or money market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof which has a combined capital and surplus of not less than \$75,000,000;

(xiii) Investment contracts (a) providing for the future purchase of securities of the type described in (i), (ii), (iii) and (viii) above, which contracts have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction or (b) the obligor under which or the guarantor thereof shall have a credit rating such that its long term debt is rated in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds; and

(xiv) Investment Agreements.

Notwithstanding the above, as of the date of execution of this Indenture, the following types of investments are permitted investments under New Jersey law: (1) bonds or other obligations of the United States of America or obligations guaranteed by the United States of America; (2) government money market mutual funds; (3) any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor; (4) bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located; (5) bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units; (6) local government investment pools; (7) deposits with the State of New Jersey Cash Management Fund; (8) agreements for the repurchase of fully collateralized securities, if: (a) the underlying securities are permitted investments pursuant to subparagraphs (1) and (3) of this paragraph, (b) the custody of collateral is transferred to a third party, (c) the maturity of the agreement is not more than 30 days, (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236, and (e) a master repurchase agreement providing for the custody and security of collateral is executed; and (9) any obligations which are expressly authorized as permissible investments for municipal hospital authorities.

"Liquidity Facility" means an insurance policy, letter of credit, line of credit, standby purchase agreement or other agreement or facility issued by a financial institution, insurance company or association pursuant to which the Authority may obtain funds for payment of the principal of and accrued interest on Bonds upon the tender of such Bonds for purchase by the Holder thereof or upon the redemption of such Bonds by the Authority. The issuer of any

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Liquidity Facility shall be rated in the highest short-term rating category assigned by either Standard & Poor's Corporation or Moody's Investors Service.

"Liquidity Provider" means the issuer of a Liquidity Facility.

"Local Authorities Law" means the Local Authorities Fiscal Control Law, constituting Chapter 313 of the Pamphlet Laws of 1983 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto.

"Maximum Interest Rate" means, with respect to any particular Variable Rate Bond, a numerical rate of interest, which shall be set forth in the Supplemental Indenture or Series Resolution authorizing such Variable Rate Bond, which shall be the maximum rate of interest such Variable Rate Bond may at any time bear.

"Operating Expenses", means the Authority's reasonable and necessary current expenses including without limiting the generality of the foregoing, all administrative, general and commercial expenses, management fees, insurance and surety bond premiums, engineering or architectural expenses, legal expenses, auditing expenses, costs of maintaining, repairing and operating the Hospital, labor and related benefit costs and escrows related thereto, all administrative, general and commercial expenses, insurance and surety bond premiums, engineering expenses, legal and other professional service expenses, auditing expenses, any taxes that may be lawfully imposed on the Authority or its income or operations or the property under its control, fuel and utility costs, permit fees, compliance monitoring costs, rentals of equipment or other property, maintenance and repair expenditures refunds or moneys lawfully due to others, payments to third-party payors or sources of federal, State or local financial assistance (including the City), Subordinated Financing Facility Payment Obligations, and any other current expenses required or permitted to be paid by the Authority under the Indenture or by law, all to the extent property and directly attributable to the Hospital under generally accepted accounting principles), and any other current expenses or payments required to be paid by the Authority under the provisions of the Indenture or by law, all to the extent properly and directly attributable to the Project, expenses in connection with the issuance of Bonds, any expenses or payments required under or pursuant to the City Guaranty, and the expenses, liabilities and compensation of any Fiduciary required to be paid hereunder, but not including any reserves for operation, amortization, interest on Bonds, or similar charges.

"Operating Fund" means the fund so designated which is established and created by the Authority pursuant to the terms of Section 501 hereof.

"Operating Fund Requirement" means, as of the 1<sup>st</sup> Business Day of each month, an amount of money which is equal to the sum of (i) the amount necessary to provide for the payment of Operating Expenses for the ensuing Accounting Period in accordance with the provisions of the Annual Budget, or if such amount has not been determined for the ensuing Accounting Period, then 1/12 of the Operating Expenses in accordance with the Annual Budget, plus (ii) the amount necessary to provide for the payment of Operating Expenses incurred during any preceding Accounting Period in accordance with the Annual Budget but which have not yet been paid.

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"Operating Reserve Fund" means the fund so designated which is established and created by the Authority pursuant to the terms of Section 501 hereof.

"Operating Reserve Fund Requirement" means an amount of money which is equal to \$5,000,000, or such greater amount as the Authority may determine in its sole discretion by Supplemental Indenture.

"Option Bonds" means Bonds which by their terms may be tendered by and at the option of the Holders thereof for payment by the Authority prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof..

"Outstanding," when use with reference to a particular Series of Bonds and as of any particular date, describes all Bonds of such Series theretofore and thereupon being authenticated and delivered except (a) any Bond of such Series which has been cancelled by the Authority or by the Registrar on or prior to said date, (b) any Bond of such Series the payment or redemption of which has been provided for by either the deposit of cash, or moneys and/or Investment Obligations sufficient to defease such Bonds in accordance with the provisions of Section 1201 hereof, (c) any Bond of such Series in lieu of or in substitution for which another Bond of such Series shall have been authenticated and delivered pursuant to the provisions of the Indenture, and (d) any Variable Rate Bond which shall be deemed to have been purchased by the Tender Agent in connection with (i) any event which requires that a Bondholder tender its Variable Rate Bonds which are the subject of such notice are not delivered on the date required by the Indenture.

"Parity Financing Facility Payment Obligations" mean Financing Facility Payment Obligations which, by the terms of the Supplemental Indenture or Series Resolution authorizing the Financing Facility to which such Financing Facility Payment Obligations relate, are on a parity with the Bond Payment Obligations.

"Paying Agent" means any paying agent for the Bonds which shall be appointed by the Authority pursuant to the terms of Section 1102(a) hereof, and its successor or successors, and any other corporation or association that may at any time be substituted in its place pursuant to the terms of the Indenture.

"Payment Date" means each date on which payment of interest or Principal Installments with respect to any Bonds or payment of any Financing Facility Payment Obligations shall be due and payable.

"Permitted Encumbrances" means, as of any particular time (i) any rights of the City and/or Bon Secours under the Asset Transfer Agreement relating to the acquisition of the Hospital by the Authority from Bon Secours, (ii) any rights of the City under any guaranty agreement implementing the terms of the City Guaranty, (iii) liens for taxes and special assessments not then delinquent, (iv) utility, access and other easements and rights of way, mineral rights, encroachments and exceptions which will not interfere with or impair the operation of the Hospital, (v) such minor defects, irregularities, encumbrances, easements, rights

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of way, covenants running with the land and clouds of title as normally exist with respect to properties similarly used for hospital purposes and which do not materially impair the property affected thereby for the purpose for which they are held, (vi) statutory rights under Section 291, Title 42 of the United States Code as a result of what are commonly known as Hill-Burton grants, and similar rights under other federal statutes, (vii) leases, contracts, licenses and other arrangements for the use of all or a portion of the Hospital and (viii) purchase money security interest with respect to capital assets used or to be used for hospital purposes.

"Person" means an individual, a corporation, a partnership (whether general or limited), an association, a joint stock company, a trust, any unincorporated organization, any limited liability company, a governmental body, any other political subdivision, municipality or authority or any group entity.

"Principal Installment" means, as of any particular date of calculation and with respect to a particular Series of Bonds, an amount equal to the principal amount of Outstanding Bonds of such Series maturing on a single future date plus the principal amount of any Sinking Fund Installments coming due on such future date; provided, however, that, with regard to Project Notes, "Principal Installment" shall mean only that amount of principal, if any, which is to be paid from current Revenues in the then current Fiscal Year pursuant to the Annual Budget and shall not include such amounts as are expected to be paid with the proceeds of Bonds in anticipation of which such Project Notes were issued or by renewal of such Project Notes.

"Private Grants" means, any sum of money or real or personal property received by the Authority from private individuals or entities, as or on account of a grant or charitable contribution not repayable by the Authority, in and of, or with respect to the construction, acquisition, operation or other development of any part of the Hospital Facilities or costs associated therewith; provided however, that any grants received from Bon Secours as part of the acquisition of the Hospital shall not be included herein., except as designated for operating expenses.

"Project" means the acquisition, construction, improvement or operation of any facilities by the Authority including, but not limited to, the Initial Project, as defined in a Supplemental Indenture(s) authorizing the issuance of a series of Bonds.

"Project Notes" means any bond anticipation notes, including renewals thereof, heretofore or hereafter issued, the proceeds of which are applied to the Costs of the Project, including costs of issuance of and interest on any such obligations.

"Rating Agency" means Standard & Poor's Rating Group, and any successor thereto, if it has assigned a rating to any Bonds, Moody's Investors Service, and any successor thereto, if it has assigned a rating to any Bonds, Fitch, Inc., and any successor thereto, if it has assigned a rating to any Bonds, or any other nationally recognized bond rating agency and any successor thereto if it has assigned a rating to any Bonds.

"Rebate Fund" means the fund so designated which is herein established and created by the Authority pursuant to the terms of Section 501 hereof.

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“Record Date” means, with respect to a particular Series of Bonds, (a) the fifteenth (15<sup>th</sup>) day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date in the event that the Interest Payment Date is the first (1<sup>st</sup>) day of the month, (b) the first (1<sup>st</sup>) day (whether or not a Business Day) of the calendar month in which an Interest Payment Date occurs in the event that the Interest Payment Date is the fifteenth (15<sup>th</sup>) day of such month or, (c) as otherwise provided for a Series of Bonds in a Supplemental Indenture or Series Resolution authorizing such Series of Bonds.

“Redemption Price,” means, when used with respect to any Bond or a portion thereof, the principal amount of such Bond (or portion thereof) plus the applicable redemption premium, if any, which is payable upon redemption thereof in the manner contemplated in accordance with its terms and in accordance with the terms of the Indenture, together with interest accrued thereon to the date fixed for redemption.

“Registered Owner” means the owner of any Bond which is issued in fully registered form, as determined on the Record Date, and as reflected on the registration books of the Authority which shall be kept and maintained on behalf of the Authority by the Registrar.

“Registrar” means the registrar or bond registrar for the Bonds which shall be appointed by the Authority pursuant to the terms of Section 1102(b) hereof, and its successor or successors, and any other corporation or association which may at any time be substituted in its place pursuant to the terms of the Indenture.

“Remarketing Agent” means any remarketing agent for any Variable Rate Bonds which shall be appointed by the Authority pursuant to a Supplemental Indenture or Series Resolution authorizing such Variable Rate Bonds, and its successor or successors, acting for the purpose of remarketing any Variable Rate Bonds which have been tendered for purchase by the Holders thereof in order to obtain funds which are necessary to pay the purchase price of such Variable Rate Bonds upon the tender thereof, or any other corporation, banking institution or investment banking firm which may at any time be substituted in its place pursuant to the terms of the Indenture and the agreement appointing the Remarketing Agent.

“Reserve Fund Bond or Bonds” shall mean each Series of Bonds which is secured by an account within the Debt Service Reserve Fund, and each Bond which is a part of such Series pursuant to the Supplemental Indenture or Series Resolution authorizing such Series of Bonds.

“Revenue Fund” means the fund so designated which is herein established and created by the Authority pursuant to the terms of Section 501 hereof.

“Revenues” means (a) all revenues, fees, charges, rents, rates, receipts and other charges and other income derived or to be derived by the Authority from or for the ownership, operation, use or services of the Hospital, including all Government Grants, including, without limitation, contributions, donations and pledges whether in the form of cash, securities or other personal property, and all rights to receive the same, whether in the form of accounts receivable, contract rights, chattel paper instruments or other rights, and the proceeds thereof, (b) any income derived

from the investment of funds (other than the Rebate Fund) which are held pursuant to the Indenture (subject to the provisions governing the application of such investment income), and (c) the proceeds of any insurance coverages on and condemnation awards in respect of any assets of the Authority and allocable to losses of operating revenues, income or receipts of the types hereinbefore in this definition mentioned or referred to (including, without limitation, the proceeds of any business interruption or use and occupancy insurance and any portions of any net condemnation awards made in respect of lost revenues or disruptions in the receipt thereof); provided, however, that “Revenues” shall not include (i) any Private Grants with respect to the construction or acquisition of the Project, unless specified and identified for operational costs, (ii) gifts, grants, bequests, donations and contributions theretofore or hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes, and the income therefrom, to the extent required by such designation, or (iii) amounts received by the Authority from or for the ownership, operation, use or services of the Hospital in respect of any period prior to the date of issuance of the Initial Bonds, unless otherwise provided by Supplemental Indenture.

“Securities Depository” means the depository for any Book-Entry Bonds which are issued hereunder and which shall be appointed by the Authority pursuant to the Terms of Section 1102 hereof, and its successor or successors and any corporation or financial or banking institution which may be substituted in its place pursuant to the terms of the Indenture.

“Series” when used with respect to less than all of the Bonds, means all of the Bonds which are authenticated and delivered on original issuance in a simultaneous transaction and which are so designated by the Supplemental Indenture or Series Resolution authorizing such Series of Bonds, regardless of variations in maturity, interest rate or other provisions, and any Bonds which are thereafter authenticated and delivered in lieu of or in substitution for any of such Bonds under and pursuant to the terms of the Resolution; provided however, that Bonds which are issued as Tax-Exempt Obligations shall in no event be treated as being part of the same Series as Bonds which are not Tax-Exempt Obligations.

“Series Resolution” shall mean a resolution adopted by the Authority making certain determinations in connection with the issuance of a Series of Bonds pursuant to the Indenture providing for, among other items, the issuance of such Series of Bonds. Each Series Resolution shall be deemed to be a part of the applicable Supplemental Indenture.

“Sinking Fund Installment” means with respect to any Term Bonds, each amount so designated which is established pursuant to the terms of the Supplemental Indenture or Series Resolution authorizing such Term Bonds.

“State” means the State of New Jersey.

“Subordinated Financing Facility Payment Obligations” means Financing Facility Payment Obligations which, by the terms of the Supplemental Indenture or Series Resolution authorizing the Financing Facility to which such Financing Facility Payment Obligations relate, are subject and subordinate to the Bond Payment Obligations.

“Supplemental Indenture” means any indenture of the Authority amending or supplementing the Indenture which is duly executed and delivered by the Authority and which becomes effective in accordance with the terms of Article VIII hereof.

“Tax-Exempt Obligations” means any Series of Bonds which are issued pursuant to the terms of the Indenture together with, or as to which after the date of issuance thereof there is issued, an opinion of Bond Counsel to the effect that the interest on such Bonds is excludable from gross income pursuant to the provisions of the Code (notwithstanding the application of the provisions of the Code relating to alternative minimum taxation).

“Tender Agent” means any tender agent which shall be appointed by the Authority pursuant to a Supplemental Indenture or Series Resolution authorizing such Variable Rate Bonds, and its successor or successors, in connection with the purchase of Variable Rate Bonds which are tendered by the Holders thereof, or any other banking institution, corporation or investment banking firm which may be substituted therefor pursuant to the terms of the Indenture or the terms of the agreement appointing the Tender Agent.

“Term Bonds” shall mean the Bonds of a Series which shall be stated to mature on one date, rather than serially, and which shall be subject to retirement by operation of Sinking Fund Installments.

“Trust Estate” shall have the meaning set forth in the Granting Clauses hereof.

“Trustee” means the trustee for the Bonds which shall be appointed by the Authority pursuant to the terms of Section 1101 hereof, and its successor or successors, and any other corporation or association which may at any time be substituted in its place pursuant to the terms of the Indenture.

“Variable Rate Bonds” means any Bonds which bear interest at a variable rate of interest and which are issued in accordance with the terms of Article III hereof.

Words importing persons include firms, associations and corporations.

Words importing the maturity or payment of a Bond do not include or connote redemption of such Bond prior to maturity pursuant to the terms of the Indenture or the payment of the Redemption Price thereof.

Words importing the redemption of, redeeming or calling for redemption of a Bond do not include or connote the payment of such Bond at its stated maturity date, or the payment of such Bond upon declaring the same due and payable in advance of such maturity date, or the purchase of such Bond.

Words importing the singular number include the plural number and vice versa.

Articles and Sections which are mentioned herein by number are the respective Articles and Sections of the Indenture which are so numbered.

## Section 102. Successors and Assigns.

Whenever the Authority is named or referred to in this Indenture, such reference shall be deemed to include its successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations, and agreements by or on behalf of, and other provisions for the benefit of, the Authority which are contained in the Indenture shall bind and inure to the benefit of such successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Authority, or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of the Indenture or to comply with or fulfill any conditions which are set forth in the Indenture.

## Section 103. Interested Parties.

Nothing which is contained in the Indenture (expressed or implied) is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Authority, any Fiduciary, the issuer of any Financing Facility or Liquidity Facility and the Holders of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements which are contained in the Indenture and which are to be performed by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, any Fiduciary, the issuer or any Financing Facility (including the bond insurance policies issued in connection with the Series 2007 Bonds) or Liquidity Facility, any Bond Insurer and the Holders of the Bonds.

## Section 104. Severability of Invalid Provisions.

If any one or more of the covenants or agreements which are contained in the Indenture which are to be performed on the part of the Authority, any Fiduciary or any agent or employee of the Authority should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed separate from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of the Indenture or of the Bonds.

## Section 105. Applicable Law.

The Indenture is executed pursuant to statutes of the State of New Jersey, and the law of said State shall be applicable to its interpretation and construction.

## Section 106. Short Title.

This Indenture of Trust may hereafter be cited by the Authority and is hereinafter sometimes referred to as the “Indenture.”

**ARTICLE II**  
**Authorization and Issuance of Bonds of the Authority**

**Section 201. General Provisions for Issuance.**

(A) The Bonds are issued pursuant to the Act and the Authority has ascertained and hereby determines that each and every act, matter, thing or course of conduct for which provision is made in the Indenture is necessary in order to carry out and to effectuate the purposes of the Authority in accordance with the Act and to carry out powers expressly given to the Authority in the Act and to further secure the payment of the principal of, redemption premium, if any, and interest on the Bonds.

(B) The Bonds shall be direct and special obligations of the Authority and the principal of, redemption premium, if any, and interest on the Bonds shall be payable from the moneys and accounts which are pledged as and to the extent provided in the Granting Clauses and in Section 502 hereof. All Bonds and Bondholders and any Financing Facility Provider or Liquidity Facility Provider (for as long any Financing Facility Payment Obligations to such Financing Facility Provider or Liquidity Facility Provider are outstanding) shall be entitled to the benefit of the continuing pledge and lien created by the Indenture to secure the full and final payment of the principal of, redemption premium, if any, and interest on the Bonds. THE BONDS SHALL NOT CONSTITUTE A DEBT, LIABILITY OR PLEDGE OF THE CREDIT OF THE CITY OF HOBOKEN, OTHER THAN TO THE EXTENT OF THE CITY GUARANTY THEREOF.

**Section 202. Authorization of Bonds.**

(A) Pursuant to the Bond Resolution, the Authority has authorized the issuance from time to time, in one or more series, on a taxable or tax exempt basis, for any of its corporate purposes. Each such series of Bonds shall be designated as "City of Hoboken Guaranteed Hospital Revenue Bonds, Series \_\_\_\_\_", together with such additional designation as may be provided in the applicable Supplemental Indenture. The Bonds shall be issued for the purpose of financing all or a portion of the Costs of the Project or such Additional Project as may be authorized by a Supplemental Indenture authorizing such Bonds.

(B) Pursuant to the Bond Resolution, the Authority has authorized the issuance of the Initial Bonds in one or more Series, on a taxable or tax-exempt basis, and in an aggregate principal amount of not to exceed \$52,000,000 of the purpose of financial all or part of the Initial Project. The terms of the Initial Bonds shall be determined by Supplemental Indenture authorizing such Initial Bonds.

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**Section 203. Medium of Payment; Form and Date; Letters, Numbers and Legends.**

(A) The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(B) Bonds of each Series may be issued only in the form of fully registered Bonds without coupons, and unless otherwise authorized by a Supplemental Indenture or Series Resolution, Bonds of each Series shall be in substantially the form set forth in Section 1207.

(C) Each Bond shall be lettered and numbered as provided in the Supplemental Indenture or Series Resolution authorizing the Series of which such Bond is a part and so as to be distinguished from every other Bond.

(D) Except as may be otherwise provided for any Series of Bonds in the Supplemental Indenture or Series Resolution authorizing such Series of Bonds, the Bonds of each Series shall be dated as of their date of delivery and authentication; provided, however, that if, as shown by the records of the Trustee, interest on the Bonds of any Series shall be in default, the Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered; provided, further, that if the date of authentication shall be prior to the first Interest Payment Date for the Bonds of such Series, Bonds shall be dated as provided in the Supplemental Indenture or Series Resolution authorizing the Bonds of such Series. Bonds of each Series shall bear interest from their date.

(E) The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Indenture as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the Authority prior to the authentication and delivery thereof.

**Section 204. Execution of the Bonds.**

Each Bond shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of its Chairman, Vice Chairman or Executive Director and its corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted or otherwise reproduced and attested by the manual or facsimile signature of its Secretary, Treasurer or Assistant Secretary. In the event that any officer who shall have signed, sealed or attested any of the Bonds shall cease to be such officer of the Authority before the Bonds so signed, sealed or attested shall have been authenticated and delivered by the Trustee upon original issuance, such Bonds may nevertheless be authenticated and delivered as herein provided as if the person who signed, sealed or attested such Bonds had not ceased to be such officer. Any Bonds may be signed, sealed or attested on behalf of the Authority by any person who, at the date of such act, shall hold the proper office, notwithstanding that at the date of such Bond such person may not have held such office.

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**Section 205. Authentication of Bonds.**

The Bonds shall bear thereon a certificate of authentication, substantially in a form set forth in Section 1207 hereof, which shall be duly executed by an authorized officer of the Trustee or Registrar. Only such Bonds as shall bear such certificate of authentication thereon, and which have been duly executed, shall be entitled to any right or benefit under the terms of the Indenture. No Bond shall be valid or obligatory for any purpose unless such certificate of authentication, upon such Bond shall have been duly executed by the Trustee or by the Registrar, as the case may be. The certificate of authentication upon any Bond shall be conclusive and the only evidence that the Bond so authenticated has been duly authenticated and delivered under the terms of the Indenture and that the Holder thereof is entitled to the benefit of the Indenture.

**Section 206. Interchangeability of Bonds.**

Registered Bonds, upon surrender thereof at the principal corporate trust office of the Registrar, together with a written instrument of transfer which is satisfactory to the Registrar and which is duly executed by the Registered Owner thereof or by his attorney duly authorized in writing, accompanied by a signature guarantee, may, at the option of such Registered Owner, be exchanged for Registered Bonds of the same Series, designations, maturity and interest rate of any other of the authorized denominations. Book-Entry Bonds shall be subject to exchange upon the terms and conditions provided in a Supplemental Indenture or Series Resolution authorizing such Book-Entry Bonds.

**Section 207. Authorization for Guaranty of Bonds by City and Provision for Endorsement of City Guaranty on Bonds.**

The Bonds shall be entitled to the benefits of a City Guaranty. Prior to the authentication and delivery of the Bonds of each series upon original issuance, provision shall have been made for the guaranty of the timely payment of principal of and interest on such Bonds by the City. The City Guaranty shall be printed on the face of each of the Bonds and shall be in substantially the form set forth in Section 1207 hereof and shall be duly executed by the manual or facsimile signature of the Mayor of the City. Any payments made by the City pursuant to the terms of the City Guaranty shall be made to the Trustee and shall thereafter be deposited by the Trustee in the Debt Service Fund or the Debt Service Reserve Fund (as applicable) and shall be applied in accordance with the terms of Section 509 hereof.

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**ARTICLE III**  
**Registration, Transfer, Exchange Cancellation of Bonds and Additional Bonds**

**Section 301. Registration of Registered Bonds and Agency Therefor.**

The Authority shall cause the Registrar to maintain and keep books for the registration and transfer of the Bonds, and, upon presentation thereof for such purpose at the designated office of the Registrar, together with a written instrument of transfer which is satisfactory to the Registrar, and which is duly executed by the Registered Owner thereof or by his attorney duly authorized in writing, the Registrar shall register or cause to be registered therein, and permit to be transferred thereon or to be exchanged, under such reasonable regulations as the Registrar may prescribe, any Registered Bond which shall be entitled to registration, transfer or exchange. The Registrar is hereby appointed by the authority to serve as its agent for such registration, transfer or exchange of Bonds. Provisions relating to the transfer and registration of Book-Entry Bonds shall be determined by a Supplemental Indenture or Series Resolution authorizing such Book-Entry Bonds.

**Section 302. Transfer of Registered Bonds.**

Each Registered Bond shall be transferable only upon the registration books of the Authority at the designated office of the Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer which is satisfactory to the Registrar and which is duly executed by the Registered Owner or by such duly authorized attorney, together with a signature guarantee and such other and further documentation as the Registrar may reasonably request. Upon the transfer of such Registered Bond, the Authority shall execute, and the Registrar shall authenticate and deliver or make available for pick-up, a new Bond or Bonds (registered in the name of the transferee) of the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered Bond. Provisions relating to the transfer of Book-Entry Bonds shall be determined by a Supplemental Indenture or Series Resolution authorizing such Book-Entry Bonds.

**Section 303. Ownership of Bonds and Effect of Registration.**

The Authority and any Fiduciary may treat and consider the person in whose name any Registered Bond is registered, as of the Record Date, as the Holder and absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal of, redemption premium, if any, or interest thereon and for all other purposes whatsoever, and payment of, or on account of, the principal of, redemption premium, if any, or interest on such Bond shall be made only to, or upon the order of, such Registered Owner thereof. However, such registration may be changed or discharged as provided in this Section shall be valid and effectual to satisfy and discharge the Authority's liability upon the Bonds to the extent of the sum or sums so paid.

**Section 304. Re-issuance of Mutilated, Destroyed, Stolen or Lost Bonds.**

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In case any Outstanding Bond shall become mutilated or shall be destroyed, stolen, or lost, the Registrar shall authenticate and deliver or make available for pick-up, a new Bond of like tenor, number and amount as the Bonds so mutilated, destroyed, stolen or lost, in exchange and in substitution for such mutilated Bond and upon surrender of such mutilated Bond or in lieu of and in substitution for the Bond destroyed, stolen or lost, upon filing with the Registrar of evidence which is satisfactory to the Authority and the Registrar that such Bond has or have been destroyed, stolen or lost, and together with a signature guarantee and such other and further documentation as the Registrar may reasonably request. The owner of such Bond shall also provide the Registrar with proof of the ownership thereof, and shall furnish the Authority and the Registrar with indemnification satisfactory to them and shall comply with such other reasonable regulations as the Authority and the Registrar may prescribe, and the owner of such Bond shall pay such expenses as the Authority and the Registrar may incur in connection therewith. In lieu of reissuing a mutilated, destroyed, lost or stolen Bond which is due and payable, the Authority may pay the amount which is due on such Bond to the owner or Holder thereof, provided all of the requirements of this Section have been met.

#### Section 305. Regulations with Respect to Registrations, Exchanges and Transfers.

In all cases in which the privilege of exchanging Bonds or transferring Registered Bonds is exercised, the Authority shall execute and the Registrar shall authenticate new Bonds in accordance with the provisions of the Indenture. For every registration, exchange or transfer of Bonds, the Authority or the Registrar, as the case may be, may charge a sum which is sufficient to reimburse them for any tax or other governmental charge or other fees which are required to be paid, which sum, if not otherwise provided for, shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of effecting such registration, exchange or transfer. During the fifteen days next preceding any Interest Payment Date of the Bonds, or in the case of any proposed redemption of Bonds, subsequent to the date next preceding the date of the first publication or mailing of notice of such redemption, neither the Authority nor the Registrar shall be required to make any registration, transfer or exchange of any Bonds under the provisions of this Article. The Registrar shall, not less often than quarterly, deliver to the Authority a statement of all Bonds issued in lieu of or in substitution for other Bonds pursuant to the terms of this Article, including a report of the description and disposition of such other Bonds.

#### Section 306. No Recourse on Bonds.

No recourse shall be had for the payment of the principal of, redemption premium, if any, or the interest on the Bonds or for any claim based thereon or on the Indenture against any member or officer of the Authority or any person executing the Bonds, including the Trustee or the Registrar, as the case may be. The Bonds are not and shall not be in any way a debt or liability of the State of New Jersey or of any county or any municipality and do not and shall not create or constitute any indebtedness, liability or obligation of said State or of any county or any municipality, either legal, moral or otherwise. THE BONDS SHALL NOT CONSTITUTE A DEBT, LIABILITY OR PLEDGE OF THE CREDIT OF THE CITY OF HOBOKEN, OTHER THAN TO THE EXTENT OF THE CITY GUARANTY THEREOF.

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on such Series of Bonds or any other Series of Bonds; (i) the form of the Bonds of such Series, and the form of the Trustee's certificate of authentication (if applicable), which forms shall be, respectively, substantially in the forms set forth in Section 1207, with such variations, omissions or insertions as are required or permitted by the Indenture; (j) provisions, if any, for furnishing a Financing Facility with respect to such Series; and (k) such other provisions as the Authority may deem necessary or desirable in connection with the issuance of such Series of Bonds.

(c) A copy of each amending resolution of the Authority, if any, which has been duly adopted prior to authentication and delivery of such Bonds pursuant to and in accordance with the provisions of Article VIII hereof, each certified by the Secretary, Treasurer or Assistant Secretary of the Authority;

(d) The written order of the Authority as to the delivery of such Bonds, executed by an Authority Officer;

(e) An opinion of Bond Counsel stating, in the opinion of the signer, that (i) the Bond Resolution, the Indenture, each Supplemental Indenture, each Series Resolution and each amending resolution referred to in subparagraph (d) above have been duly and lawfully adopted by the Authority, and, are each in full force and effect and are valid and binding on the Authority, the Trustee and the Holders of the Bonds in accordance with their respective terms, and that all conditions precedent to the authentication of such Series of Bonds have been satisfied; (ii) the Indenture creates the valid pledge which it purports to create of the Revenues, moneys, securities and funds which are held or set aside under the terms of the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the terms of the Indenture; (iii) the Bonds of such Series are valid and binding obligations of the Authority, as provided in the Indenture and are entitled to the benefits of the Indenture, and of the Act; and (iv) such Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the terms of the Indenture; provided however, that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization, or other laws affecting creditors' rights generally;

(f) A copy of the City Guaranty pertaining to the Bonds, certified by the City Clerk, together with such notification as is required in Section 513;

(g) An opinion of the City Corporation Counsel stating that in the opinion of the signer, (i) the City has the right and power to adopt the City Guaranty; (ii) the City Guaranty has been duly and lawfully authorized by the City; (iii) the City Guaranty has been duly and lawfully executed by the City, is in full force and effect, is valid, binding and enforceable upon the City in accordance with its terms; provided that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium reorganization or other laws affecting creditor's rights generally.

(h) A certificate of an Authorized Officer stating that the Authority is not, or upon the issuance of such Series of Bonds will not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture; and

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#### Section 307. Temporary Bonds.

Until the Bonds in definitive form are ready for delivery, the Authority may execute, and upon its written request, the Trustee or the Registrar, shall authenticate and deliver one or more printed, lithographed or typewritten Bonds in temporary form, substantially of the tenor of the Bonds hereinbefore described, together with any appropriate omissions, variations and insertions. Such Bond or Bonds in temporary form shall be in such authorized denominations as the Authority may determine. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit of the Indenture. The Authority shall, without unreasonable delay, prepare, execute and deliver to the Trustee or Registrar, and thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form, the Registrar shall authenticate and deliver, in exchange therefor, such Bond or Bonds in definitive form in authorized denominations of the same maturity and for the same aggregate principal amount as the surrendered Bond or Bonds in temporary form. Such exchange shall be made by the Authority without making any charge therefor except that the Authority may require payment of a sum which is sufficient to cover any tax or other governmental charge that may be imposed upon it in connection therewith.

#### Section 308. General Provisions for the Issuance of Bonds.

All (but not less than all) the Bonds of each Series shall be executed by the Authority for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Authority or upon its order, but only upon the receipt by the Trustee of:

(a) A copy of the Bond Resolution, certified by the Secretary, Treasurer or Assistant Secretary of the Authority;

(b) An executed counterpart original of the Indenture authorizing such Bonds, and an executed counterpart original of the Series Resolution and Supplemental Indenture, if any, relating to such Bonds. The Supplemental Indenture and the Series Resolution, if any, shall, among other provisions, specify: (a) the authorized maximum principal amount, designation and Series of such Bonds; (b) the purposes for which such Series of Bonds is being issued, which shall be (i) the financing of all or a portion of the Costs of the Project or any Additional Project, including the payment of any Project Notes issued in respect of the Project or Additional Project, as the case may be, or (ii) the refunding of Bonds; (c) the date, and the maturity date or dates, of the Bonds of such Series; (d) the interest rate or rates or the method of calculation of the interest rate or rates of the Bonds of such Series and the Interest Payment Dates therefor, and if any Bonds of such Series are Variable Rate Obligations, the Maximum Interest Rate for such Bonds, and the provisions, if any, as to the calculation or change of such Variable Interest Bonds; (e) the denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series; (f) the Redemption Price or Prices or prepayment price or prices, if any, and, subject to Article VII, the redemption or prepayment terms for the Bonds of such Series; (g) provisions for the sale of the Bonds of such Series; (h) the amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Series of Bonds or other sources in the Debt Service Fund and provisions for the application thereof to the payment of all or a portion of the interest

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(i) Such further documents, moneys, securities and evidences of deposit of funds with the Trustee as are required by the provisions hereof or Article X or the Supplemental Indenture or Series Resolution authorizing such Series of Bonds.

#### Section 309. Book-Entry Only.

(1) Except as provided in Subparagraph (3) of this Section 309, or as may be provided in the Supplemental Indenture authorizing such Series of Bonds, the registered Holder of all of the Bonds shall be, and the Bonds shall be registered in the name of, Cede & Co., as nominee of DTC. With respect to all Bonds for which Cede & Co. shall be the registered Holder, payment of interest on such Bonds shall be made by wire transfer of same day funds to the account of Cede & Co. at the address indicated for Cede & Co. in the registration books of the Authority kept by the Trustee, as Bond Registrar.

(2) The Bonds shall be initially issued in the form of one fully registered bond in the amount of the Bonds. Upon initial issuance, the ownership of the Bonds shall be registered on the registration books of the Authority kept by the Trustee in the name of Cede & Co. With respect to the Bonds so registered in the name of Cede & Co., the Authority and the Trustee shall have no responsibility or obligation to any DTC participant, indirect DTC participant, or any beneficial owner of the Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC participant or indirect DTC participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede & Co., of any notice with respect to the Bonds, or (iii) the payment to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede & Co., of any amount with respect to the principal of or interest on the Bonds. The Authority and the Trustee may treat DTC as, and deem DTC to be, the absolute registered Holder of the Bonds for the purpose of (i) payment of the principal of and interest on the Bonds, (ii) giving notices with respect to the Bonds, (iii) registering transfers with respect to the Bonds and (iv) for all other purposes whatsoever. The Trustee shall pay the principal of and interest on the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal and interest to the extent of the sum or sums so paid. No person other than DTC shall receive a Bond evidencing the obligation of the Authority to make payments of principal and interest thereon pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions hereof, the words "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(3) (a) DTC may determine to discontinue providing its services with respect to the Bonds of any Series at any time by giving written notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Upon receipt of such notice, the Authority shall promptly deliver a copy of same to the Trustee.

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(b) The Authority, (i) in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds of any Series, and (ii) shall terminate the services of DTC with respect to the Bonds upon receipt by the Authority and the Trustee of written notice from DTC to the effect that DTC has received written notice from DTC participants or indirect DTC participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then outstanding Bonds of such Series to the effect that (A) DTC is unable to discharge its responsibilities with respect to such Bonds; or (B) a continuation of the requirement that all of the outstanding Bonds of such Series be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Bonds of such Series.

(c) Upon the termination of the services of DTC with respect to all or any portion of the Bonds pursuant to Section 309(3)(b)(i) or 309(3)(b)(ii)(A) hereof, or upon the discontinuance or termination of the services of DTC with respect to all or any portion of the Bonds pursuant to Section 309(3)(a) or 309(3)(b)(ii)(B) hereof, after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds (or the applicable portion thereof) shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Holders transferring or exchanging such Bonds shall designate, in accordance with the provisions of this Indenture and the Bond Resolution. Upon the determination by any party authorized herein that the Bonds (or any portion thereof) shall no longer be limited to book-entry only form, the Authority shall immediately advise the Trustee in writing of the procedures for transfer of such Bonds from such book-entry only form to a fully registered form.

(4) Notwithstanding any other provision of this Indenture to the contrary, so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and interest on, and all notices with respect to, the Bonds shall be made and given, respectively, to DTC as provided in the Letter of Representations of the Authority and the Trustee, addressed to DTC, with respect to the Bonds.

(5) In connection with any notice or other communication to be provided to Holders of the Bonds pursuant to this Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by such Holders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

#### Section 310. Additional Proceedings.

As additional proceedings of the Authority in connection with the execution and delivery of the Bonds, there is hereby delegated to any Authorized Officer of the Authority the power to

take the following actions and make the following determinations by Series Certificate signed by such Authorized Officer of the Authority:

(a) To execute, deliver and perform the Bonds.

(b) To execute and deliver and perform, on behalf of the Authority, such agreements and documents with the purchaser of the Bonds as shall be necessary or desirable in connection with the issuance and purchase of the Bonds.

(c) To execute a Letter of Representations with respect to DTC.

(d) To make such other determinations, to execute such other documents, instruments and papers and to do such acts and things as may be necessary or advisable in connection with the execution, delivery and performance of the Bonds and are not inconsistent with the provisions of this Indenture.

All matters determined by an Authorized Officer of the Authority under the authority of this Indenture shall constitute and be deemed matters incorporated into this Resolution and approved by the Authority, and whenever an Authorized Officer of the Authority is authorized or directed to take any action pursuant to this Indenture with or upon the advice, consent or consultation with or by any other person, agency, office or official, a certificate of such Authorized Officer of the Authority may be conclusively relied upon as being determinative that such advice, consultation or consent has in fact occurred and that such actions of the Authorized Officer of the Authority are valid and binding.

#### Section 311. Requirements for Issuance of Additional Bonds.

(a) Prior to the issuance of Additional Bonds, the Borrower shall deliver or cause to be delivered to the Trustee:

(1) A Supplemental Indenture executed by the Authority and the Trustee and approved by the Borrower providing for the issuance of the Additional Bonds, containing such terms and provisions as may be necessary or proper to secure the Additional Bonds and as shall not, unless all Outstanding Bonds are to be paid or redeemed, be inconsistent with this Indenture;

(2) A guaranty ordinance of the City with respect to such Additional Bonds.

(3) Certified copies of the resolution of the Authority authorizing the execution of the Supplemental Indenture and the issuance of the Additional Bonds, and in the case of Additional Bonds for refunding purposes, the payment or redemption of the Bonds to be refunded;

(4) In the case of Additional Bonds for refunding purposes, evidence satisfactory to the Trustee that notice of redemption of any Bonds to be redeemed has been properly

given, or the Trustee has received irrevocable instructions to give such notice at the appropriate time;

(5) An Opinion or Opinions of Counsel, all in form and substance satisfactory to the Authority, to the effect that (i) the Additional Bonds have been duly issued for a permitted purpose under this Article IV, (ii) all consents or approvals required to be obtained from any Regulatory Body for the issuance of the Additional Bonds have been obtained, (iii) the issuance of the Additional Bonds and execution and delivery of related documents will not constitute a breach or default on the part of the Hospital under its Articles of Incorporation and By-laws, or on the part of the Authority or the Hospital under any applicable laws or regulations, court orders or rulings of Regulatory Bodies to which the Authority or the Hospital is subject or any agreements to which the Authority or the Borrower is a party or to which their properties are subject, (iv) all documents delivered by the Authority and the Hospital in connection with the issuance of the Additional Bonds have been duly and validly authorized, executed and delivered and such execution and delivery and all other actions taken by the Authority and the Hospital in connection with the issuance of the Additional Bonds have been duly authorized by all necessary corporate actions, and (v) all conditions precedent to the issuance of the Additional Bonds pursuant to this Indenture have been satisfied;

(6) In the case of Additional Bonds issued to finance the Costs of any Capital Addition (including for this purpose the completion of any Project or any Capital Addition)

(i) Executed counterparts or certified copies of Construction Contracts (including all change orders or amendments then in effect) covering all construction or renovation work which is not to be undertaken by employees of the Hospital, together with all surety bonds and policies or certificates of insurance related to such Project,

(ii) An Architect's Certificate: (A) stating that the construction and renovation work included in the Capital Addition can be undertaken and completed in accordance with sound architectural and engineering practices and that all necessary plans and specifications therefor have been approved by the Architect and all Regulatory Bodies; (B) stating that all permits and approvals then required to be in effect for the construction and renovation work included in the Capital Addition have been obtained and no facts or circumstances are known to the Architect which would prevent the timely issuance of all other necessary permits and approvals; (C) setting forth in reasonable detail the items of Cost relating to the construction or renovation work included in the Capital Addition and stating that such items of Cost are reasonable; and (D) stating that the proceeds of the Additional Bonds, together with any other monies to be made available therefor, shall be sufficient to pay the Cost of the Capital Addition,

(iii) A Certificate of the Manager: (A) setting forth in reasonable detail the Costs of the Capital Addition, including the items of Costs set forth in the Architect's Certificate described above, equipment costs, financing costs and other related fees and expenses; and (B) demonstrating the adequacy for the payment of all such Costs of the

Additional Bond proceeds, together with other available funds deposited with the Trustee and the investment income reasonably expected to be earned on such proceeds and other available funds,

(iv) An Opinion or Opinions of Counsel addressed to the Authority and the Trustee (A) stating that the Manager has duly and validly authorized, executed and delivered the Construction Contracts, if any, for the Capital Addition; (B) stating that the Authority has acquired or will acquire as funds are advanced good and marketable title to or a valid and enforceable real property interest in all property to be acquired or constructed as part of the Capital Addition, subject only to Permitted Encumbrances (which opinion may be given in reliance upon a title insurance policy issued by a reputable title insurance company); (C) stating that the Trustee has acquired or will acquire a valid and enforceable mortgage lien on all property to be acquired or constructed as part of the Capital Addition, subject only to Permitted Encumbrances (which opinion may be given in reliance upon a title insurance policy issued by a reputable title insurance company); and (D) to the same effect, with respect to permits and approvals, as the Architect's Certificate described in clause (ii)(B) above.

(7) In the case of any Additional Bonds issued for the purpose of refunding Bonds or any other Indebtedness of the Borrower:

(i) Executed counterparts of such documents as are necessary or appropriate for the purposes of the refunding, including, if appropriate, an escrow agreement providing for the deposit and application of funds for the refunding and irrevocable instructions with respect to any required redemption of refunded Bonds, and

(ii) An Authority Certificate setting forth in reasonable detail the Costs of the refunding and demonstrating the adequacy of the Additional Bond proceeds for the payment of such Costs, together with other available funds then on deposit with the Trustee and the investment income reasonably expected to be earned on such proceeds and other available funds, and unless either (A) all refunded Bonds are to be redeemed or otherwise retired on the date of settlement for the Additional Bonds or (B) the Trustee holds funds on the date of settlement for the Additional Bonds as provided in Section 901(a) hereof, such Certificate shall be accompanied by such schedules verified as to mathematical accuracy by a Certified Public Accountant or Management Consultant, as are necessary to demonstrate the adequacy of funds deposited for the refunding and the income thereon for the purpose of paying, when due, the principal or redemption price of and interest on the refunded Bonds;

(8) For all Additional Bonds, an Opinion of Bond Counsel addressed to the Authority to the effect that (i) the interest on the Additional Bonds will be excludable from gross income of the Owners thereof for purposes of federal income tax, and (ii) the issuance of the Additional Bonds will not adversely affect the exclusion (if any) from gross income of the Owners of any Outstanding Bonds which are Tax-exempt Bonds of the interest on such Outstanding Bonds for federal tax purposes; provided that the requirement in clause

(i) need not be met if the interest on the Additional Bonds are not to be issued as tax exempt obligations;

(10) Such other closing documents and opinions of counsel as the Authority may reasonably specify.

(b) Upon compliance with the requirements of Section 311(a) hereof, the Trustee shall thereupon be authorized to execute the Supplemental Indenture, to deliver the Additional Bonds at the written direction of an Authorized Officer of the Authority.

#### **Section 312. Disposition of Proceeds of Additional Bonds.**

Upon the issuance and delivery of any series of Additional Bonds, the Authority shall forthwith transfer the proceeds thereof to the Trustee, and the Trustee shall apply such proceeds in accordance with the terms of the Supplemental Indenture authorizing the issuance of such series

(2) its certificate attached to the requisition, duly executed by an Authority Officer, certifying: (a) that obligations in the stated amounts have been incurred by the Authority, and that each item therefor is a proper charge against such account in the Construction Fund, is a proper Cost of the project for which such account was established and such Cost has not been previously paid, (b) that the Authority has not received or been served with a notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of any of the moneys which are payable under such requisition to any of the persons, firms or corporations named in such requisition, or if any such lien, attachment or claim has been filed with or served upon the Authority, that such lien, attachment or claim has been released or discharged, and (c) that such requisition contains no item which represents payment on account of any retained percentages which the Authority is at the date of such certificate entitled to retain; and

(3) in the case of expenses which have been incurred by the Authority for studies, surveys and estimates, engineering borings, preliminary investigations to determine foundation or other conditions, estimates of costs or revenues and other estimates which are necessary or incidental to determining the feasibility or practicability of the Project or payments which are to be made for labor and to contractors, builders and materialmen in connection with such construction or payments which are to be made for restoration of property which has been damaged or destroyed in connection with such construction, a Certificate of Authority Officer, attached to such requisition, certifying that such Authority Officer has made reasonable investigations and that to the best of his or her knowledge, each such obligation has been properly incurred by the Authority, and that insofar as such obligation was incurred for work, materials, supplies or equipment, such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction of the applicable Project or that such materials, supplies or equipment were fabricated for the construction thereof.

Upon the receipt of each such requisition and such accompanying certificates, the Trustee shall either pay such requisition directly or shall transfer from the appropriate account in the Construction Fund to the credit of a special account in the name of the Authority, an amount which is equal to the total of the amounts which are required to be paid, as set forth in such requisition, and the amounts which are on deposit in such special account are to be held solely for the payment of the obligations set forth in such requisition. In making such transfer, the Trustee may conclusively rely upon such requisition and such accompanying certificates. If moneys for the payment thereof have been transferred to such special fund, each such obligation shall be paid by the Authority by check and such check shall be signed by any two authorized Authority Officers and such check shall be drawn on such special account to the order of the person named, in and in accordance with the terms of, the requisition. Moneys which are deposited to the credit of such special account shall be deemed to be a part of such account until such amount is paid out as provided above. If prior to the payment of any item from such special account, the Authority should decide to stop payment of such item for any reason, an Authority Officer shall give notice of such decision to the Trustee and thereupon the Trustee shall transfer the amount of such item from such special account to the appropriate account in the Construction Fund.

## **ARTICLE IV Construction Fund**

### **Section 401. Establishment of Construction Fund.**

The Authority hereby establishes and creates a special fund, designated the "Construction Fund" which shall be held by the Trustee and in which may be deposited all or a portion of the proceeds of Bonds or Project Notes issued to finance, in whole or in part, Costs of the Initial Project and/or any Additional Project and the Authority may, but shall not be required to, deposit in the Construction Fund any moneys which are received by the Authority from any source for payment of Costs of the Initial Project and/or any Additional Project, including any Government Grants, any Government Loans (in each case, if related to the Initial Project and/or any Additional Project), the proceeds of any insurance or any condemnation award and which are to be applied by the Authority for the repair, restoration or replacement of the whole or any part of the Initial Project and/or any Additional Project. Amounts which are deposited in the Construction Fund shall be held by the Trustee and shall be applied (in accordance with and subject to the limitations of this Article) to pay Costs of the Initial Project and/or any Additional Project, and, until applied as aforesaid, such moneys shall at all times be subject to the lien of the Indenture. The Trustee shall establish within the Construction Fund a separate account for the Initial Project and for each Additional Project which is described in any Supplemental Indenture of the Authority which has been duly adopted pursuant to the terms of Article VIII hereof. Notwithstanding anything above to the contrary, the Authority may from time to time direct the Trustee to establish sub-accounts within any account which is created with respect to the Initial Project and/or any Additional Project.

### **Section 402. Purpose of and Payments From the Construction Fund.**

(A) The Authority shall apply amounts on deposit in the Construction Fund for payment of Costs of the Initial Project described in clauses (A), (B), (C), and (D) of the definition thereof (a contained in the Bond Resolution) or Costs of the Additional Project, as the case may be. All payments from the Construction Fund shall be subject to the provisions and restrictions set forth in this Article and the Authority shall not cause or permit to be paid from the Construction Fund any sums except in accordance with such provisions and restrictions.

(B) The Trustee shall make payments from the appropriate account in the Construction Fund, in the amounts, at the times, in the manner, and on such other terms and conditions as are set forth in this Section. Before any such payment shall be made, the Authority shall file with the Trustee:

(1) its written requisition therefore in the form as attached hereto as Exhibit A, duly executed by an Authority Officer, stating with respect to each payment to be made: (a) the name of the person, firm or corporation to whom payment is due, (b) the amount which is to be paid and the account from which such amount is to be withdrawn, and (c) in reasonable detail, the purpose for which the obligation was incurred;

(C) If any requisition which is filed with the Trustee in accordance with the terms of this Section 402 contains any item for payment of the Cost and expense of the acquisition of any lands, easements, or rights or interests in or relating to lands (including leasehold interests), there shall be attached to such requisition, before any transfer or payment with respect to such item shall be made, in addition to the certificates mentioned in paragraph (B) above, the following:

(1) a Certificate of Authority Officer stating that such lands, easements, rights or interests (including leasehold interests) are being acquired by the Authority and are necessary or useful and convenient for the construction or acquisition of the applicable Project; and

(2) a Counsel's Opinion of counsel to the Authority stating, in the opinion of the signer, that the Authority has the power under the provisions of the Act to acquire such lands, easements, rights or interest (including leasehold interests), and that the Authority will have, upon the payment of such item, such right, title and interest as is or will be sufficient to provide the Authority with such undisturbed possession as the Authority requires for its purposes.

### **Section 403. Investment of Construction Fund.**

Any moneys which are held in the Construction Fund shall be invested by the Authority in Investment Obligations; provided, however, that the maturity of every such Investment Obligation shall not be later than the time when such funds are needed to be applied to pay Costs of a Project, as the case may be. Investment income shall be held in the Construction Fund and applied in accordance with the terms of Article IV and Section 1206 hereof.

### **Section 404. Disposition of Balance in Construction Fund.**

(A) At the time of substantial completion of the applicable Project (or portion thereof) for which any account in the Construction Fund has been established, the Authority shall file a Certificate of Authority Officer with the Trustee and such certificate shall state that the portion of the Project for which the funds were deposited in the appropriate account in the Construction Fund has been completed and that the sum stated in the certificate is sufficient to pay, and is required to be reserved in such account to pay, all items of Cost of such portion of the Project for which such account was established which, as of the date of such certificate, remain unpaid, including an estimate of the amount of any such items which is not finally determined and all claims against the Authority arising out of the construction thereof.

(B) Following substantial completion of the portion of the Project for which funds were deposited in the Construction Fund and upon filing of such Certificate of Authority Officer, the Authority may apply the balance which is on deposit in the Construction Fund to either (i) payment of the Cost of any portion of the Project (other than the portion referred to in such certificate), (ii) payment of the principal or Redemption Price of or interest on the Bonds.



**ARTICLE V  
Revenues and Funds**

**Section 501. Establishment of Funds.**

(1) In addition to the Construction Fund, the Authority hereby establishes and creates the following special funds:

- (a) Revenue Fund;
- (b) Debt Service Fund, containing therein a separate account for each Series of Bonds;
- (c) Operating Fund;
- (d) Debt Service Reserve Fund, containing therein a separate account for each Series of Bonds constituting Reserve Fund Bonds;
- (e) Operating Reserve Fund;
- (f) Capital Replacement Fund; and
- (g) Rebate Fund.

(2) The Operating Fund and the Capital Replacement Fund shall be held by the Authority; all other Funds shall be held by the Trustee.

(3) At the closing of each Series of Bonds, the Trustee shall apply the proceeds of such Series of Bonds, as set forth in a Certificate of an Authorized Officer of the Authority with respect to the application of such proceeds.

(4) Other funds may be created by Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of a particular Series of Bonds upon original issuance.

**Section 502. Pledge Securing Bonds.**

(1) There is hereby pledged and assigned as security for the payment of the Authority's Bond Payment Obligations and the Authority's Financing Facility Payment Obligations the Revenues and the other moneys, securities, rights and proceeds constituting the Trust Estate; provided, however, that (a) each Series of Bonds shall be entitled to the benefit of amounts on deposit in its respective the Account, if any, within the Debt Service Reserve Fund, and no other Bond shall be entitled thereto, and (b) each Series of Bonds with respect to which the Authority has obtained a Financing Facility shall be entitled to the benefit of the applicable Financing Facility and Financing Facility revenues and no other Bond shall be entitled thereto.

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unless otherwise provided by Supplemental Indenture), the Authority or the Trustee, as the case may be, shall promptly remit such amounts to the proper owner thereof.

(2) Any moneys which are held in the Revenue Fund shall be invested by the Trustee in Investment Obligations as directed in writing by the Authority; provided however, that the maturity of every such Investment Obligation shall not be later than the date when needed for further application pursuant to the terms of the Indenture.

(3) Any payments which are made by the City pursuant to the terms of the City Guaranty shall be made to the Trustee and shall thereafter be deposited by the Trustee in the Debt Service Fund or the applicable account within the Debt Service Reserve Fund (to the extent such payment represents a reimbursement of moneys which have been withdrawn from the Debt Service Reserve Fund pursuant to Section 507 hereof). In the event that such payments have been deposited in the Debt Service Fund, pending application of such payments to the payment of the principal of or interest on the Series of Bonds entitled to such payment, such moneys shall be held solely for the benefit of the Holders of the Series of Bonds for which such payment was made

(4) Any payments which are received by the Authority pursuant to any insurance relating to the Project or pursuant to a condemnation award which are not applied to the repair or replacement of the Project, or any portion thereof, as provided in Section 401 hereof, shall be paid by the Authority to the Trustee. Thereafter such payments shall be deposited by the Trustee in the Debt Service Fund and applied in accordance with the terms of Section 505 hereof.

**Section 504. Periodic Withdrawals From Revenue Fund.**

On the 1<sup>st</sup> Business Day of each month, the Trustee shall make payments out of any moneys which are on deposit in the Revenue Fund into the following several funds but as to each such fund only within the limitation hereinafter indicated with respect thereto and only after maximum payment within such limitation into every such fund previously mentioned in the following tabulation:

First: Into the respective accounts within the Debt Service Fund, *pro rata*, an amount equal to the Debt Service Requirement, taking into account (i) accrued interest and any amounts in each such account within the Debt Service Fund available to pay interest on the respective Bonds on the next Interest Payment Date; (ii) the amount of investment earnings credited to such account within the Debt Service Fund by the Trustee during such Accounting Period as set forth by the Trustee's reports pursuant to Section 1103 hereof; (iii) capitalized interest available to pay interest on the next Interest Payment Date; (iv) any other credit available pursuant to Section 505 hereof, but only to the extent such credit is posted by the 1<sup>st</sup> day of such Accounting Period;

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(2) This pledge shall be valid and binding from and after the date of the first delivery by the Trustee of the first Bond which is authenticated and delivered under the terms of the Indenture. The Revenues and other moneys, securities and funds which are so pledged and which are thereafter received by the Authority, and any other moneys hereby pledged, shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations issued by the Authority and all other liabilities of the Authority. The lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof.

(3) The Trust Estate and, if applicable, the amounts in the respective Account within the Debt Service Reserve Fund and the Financing Facility Revenues shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such persons have notice thereof.

(4) Nothing contained in this Section 502 shall be construed as limiting any authority granted to the Authority elsewhere in the Indenture to issue subordinated debt under the Indenture or any other resolution of the Authority or shall be deemed a limitation upon the authority of the Authority to issue bonds, notes or other obligations under the Act secured by other income and funds other than the Trust Estate, the Debt Service Reserve Fund or the Financing Facility Revenues.

(5) Any moneys which are required to be paid to the Trustee by the City pursuant to the terms of the City Guaranty applicable to any Series of Bonds are hereby pledged solely to secure the payment of the principal of and interest on the Bonds of such Series and shall not be available for any other purpose under the Indenture. Upon receipt of any such moneys by the Trustee, such moneys shall be deposited and applied as provided in Section 503(2) hereof.

(6) In the event that any Credit Facility or Liquidity Facility is provided with respect to any Series of Bonds, any moneys which are made available under the terms of such Credit Facility or Liquidity Facility are pledged solely to secure the payment of the principal of and interest on the Bonds so secured and shall not be available for any other purpose under the Indenture. Upon receipt of any such moneys by the Trustee, such moneys shall be deposited in the Debt Service Fund and applied in accordance with the provisions of Section 505 hereof.

**Section 503. Deposit of Revenues, Payments Under City Guaranty and Other Payments.**

(1) From and after the authentication and delivery of the first Bond to be so authenticated and delivered under the terms of the Indenture, all Revenues upon receipt shall be paid over by the Authority to the Trustee for deposit into the Revenue Fund. To the extent either the Authority or the Trustee receives any amounts which do not constitute Revenues (including, *inter alia*, any amounts received by the Authority from or for the ownership, operation, use or services of the Hospital in respect of any period prior to the date of issuance of the Initial Bonds,

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Second: To the Authority for deposit into the Operating Fund, for payment of the Authority's Operating Expenses in accordance with its Annual Budget an amount equal to Operating Fund Requirement;

Third: Into the respective accounts within the Debt Service Reserve Fund *pro rata*, an amount equal to 1/12 of the amount necessary, if any, to increase the amount which is on deposit in each such account within the Debt Service Reserve Fund equal to the respective Debt Service Reserve Requirement taking into account the amount of investment earnings credited to such account within the Debt Service Reserve Fund by the Trustee during such Accounting Period as set forth by the Trustee's reports pursuant to Section 1103 hereof (provided, however, that if any such deficiency shall be caused by reason of investment valuation losses rather than withdrawals, such account shall be replenished to its Debt Service Reserve Fund Requirement immediately instead of over twelve months);

Fourth: To the Authority for deposit into the Operating Reserve Fund, an amount equal to 1/12 of the amount necessary, if any, to increase the amount which is on deposit in the Operating Reserve Fund such that the funds on deposit in the Operating Reserve Fund is equal to the Operating Reserve Fund Requirement (provided, however, that if any such deficiency shall be caused by reason of investment valuation losses rather than withdrawals, such account shall be replenished to the Operating Reserve Fund Requirement immediately instead of over twelve months);

Fifth: Into the Capital Replacement Fund, an amount equal to (x) any lump sum increase to the Capital Replacement Requirement (to the extent provided in the Annual Budget for such Fiscal Year) or (y) otherwise, 1/12 of the annual amount (if any) of the Capital Replacement Requirement, as provided in the Annual Budget for such Fiscal Year; and

Sixth: To the City, to the extent required to reimburse the City for amounts theretofore advanced by the City pursuant to the City Guaranty.

**Section 505. Application, Investment and Restoration of Debt Service Fund.**

(1) The Trustee shall pay out of each account within the Debt Service Fund to the Paying Agent (i) on or before each Interest Payment Date for any of the applicable Bonds, the amount required for the interest payable on such date; (ii) on or before each Payment Date on which a Principal Installment is due, the amount of Principal Installments coming due on such date; (iii) on or before any redemption date for the applicable Bonds, the amount required for the

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payment of the Redemption Price of and interest on such Bonds then to be redeemed; and (iv) on or before any due date therefor, the amount of any Parity Financing Facility Payment Obligation.

(2) In the event of the refunding of any Bonds, the Trustee shall, if the Authority so directs, withdraw from the respective account within the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 1201.

(3) Amounts may be deposited by the Authority, in its sole discretion, in the applicable account within the Debt Service Fund with respect to the Bonds of any Series and maturity to be applied by the Trustee, if so directed by the Authority, on the date specified by the Authority, which date shall be at least twenty-five days (or such shorter period as shall be acceptable to the Trustee or authorized in the applicable Supplemental Indenture or Series Resolution) prior to the maturity date of any Bonds of such Series, to (i) the purchase of Bonds of such Series and maturity, or (ii) the redemption at the applicable Redemption Price of such Bonds, if then redeemable by their terms. All purchases of any Bonds pursuant to this subsection 3 shall be made at prices not exceeding the applicable Redemption Price of such Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed in writing from time to time by the Authority.

(4) If on any Payment Date there shall not be a sufficient amount on deposit in any account within the Debt Service Fund to pay when due the principal or Redemption Price of and interest on any Reserve Fund Bonds, the Trustee shall withdraw an amount which is sufficient to make up such deficiency from the applicable account within the Debt Service Reserve Fund and shall deposit same into the applicable account within the Debt Service Fund to be applied to the payment when due of the principal or Redemption Price of and interest on such Bonds.

#### Section 506. Application and Investment of Operating Fund.

(1) The Authority shall make payments from time to time out of the Operating Fund of all amounts required for Operating Expenses in the amounts, at the times and in the manner, and on the other terms and conditions which are set forth in this Section 506.

(2) Each payment from the Operating Fund shall be paid by the Authority by electronic transfer or check which shall be signed or ordered, as applicable, on behalf of the Authority by the Chairman, Vice Chairman or Executive Director of the Authority and by the Secretary/Treasurer or Assistant Secretary of the Authority, or in accordance with the by-laws of the Authority, as the case may be, and such check shall be drawn to the order of the person, firm or corporation to receive such payments.

(3) Any moneys which are held in the Operating Fund shall be invested by the Authority as permitted by State law; provided however, that the maturity of every such

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investments shall not be later than the time when such funds are needed by the Authority for the payment of Operating Expenses.

(4) Except as may be provided in any Supplemental Indenture, investment income which is derived from the investment of moneys which are on deposit in the Operating Fund shall be held in the Operating Fund.

#### Section 507. Application and Investment of Debt Service Reserve Fund.

(1) If on any Payment Date there shall not be a sufficient amount in any account within the Debt Service Fund to provide for any withdrawal therefrom required under the provisions of clause (i) and (ii) of Section 505(1) in respect of any Reserve Fund Bonds, the Trustee shall withdraw from the applicable account within the Debt Service Reserve Fund and pay into the applicable account within the Debt Service Fund an amount sufficient to make up such deficiency, to be applied to pay the principal or Redemption Price of and interest on such Reserve Fund Bonds coming due on such Payment Date.

(2) Whenever the amount in the applicable account (if any) within the Debt Service Reserve Fund, together with the amount in the applicable account in the Debt Service Fund, is not sufficient to pay in full all Outstanding Bonds of such Series in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the such account within the Debt Service Reserve Fund shall, if so directed by an Authorized Officer of the Authority, be transferred to the applicable account within the Debt Service Fund and shall be available to pay all Outstanding Bonds of such Series.

(3) Any moneys which are on deposit in the Debt Service Reserve Fund shall be invested by the Trustee at the written direction of an Authority Officer, in Investment Obligations. All income which is derived from the investment of moneys which are on deposit in the Debt Service Reserve Fund shall be (a) retained in the respective account within the Debt Service Reserve Fund (to the extent necessary so that the amount which is on deposit in such account within the Debt Service Reserve Fund equals the respective Debt Service Reserve Requirement), and (b) any excess investment earnings shall be transferred (i) to the applicable account in the Construction Fund, to the extent there has not yet been delivered a certificate evidencing substantial completion of the Project pursuant to Section 404 hereof, and (ii) thereafter, to the Revenue Fund.

(4) In the event of the refunding of any Bonds, the Trustee shall, if the Authority so directs, withdraw from the applicable account within the Debt Service Reserve Fund all, or any portion of, the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 1201.

(5) Notwithstanding the foregoing provisions, in lieu of the required deposits into any account within the Debt Service Reserve Fund, the Authority may cause to be deposited into

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such account within the Debt Service Reserve Fund a Debt Service Reserve Financing Facility payable to the Trustee for the benefit of the Owners of the Bonds of such Series. The Debt Service Reserve Financing Facility shall be payable (upon the giving of notice as required thereunder) on any Payment Date on which moneys shall be required to be withdrawn from the applicable account within the Debt Service Reserve Fund and applied to the payment of a Principal Installment of or interest on such Bonds and such withdrawal cannot be met by amounts on deposit in such account within the Debt Service Reserve Fund.

If a draw or disbursement is made under a Debt Service Reserve Financing Facility provided pursuant to this Section, the Authority shall be obligated either (1) to reinstate the maximum limits of such Debt Service Reserve Financing Facility or (2) to deposit into such account within the Debt Service Reserve Fund, funds in the amount of the disbursement made under such Debt Service Reserve Financing Facility, or a combination of such alternatives, as shall provide that the amount in such account within the Debt Service Reserve Fund equals the applicable Debt Service Reserve Requirement within a time period not longer than would be required to restore the Debt Service Reserve Fund by operation of clause Third of Section 504 hereof and from the same source of funds as provided in Section 504.

#### Section 508. Application and Investment of Operating Reserve Fund.

(1) The Trustee shall transfer funds on deposit in the Operating Reserve Fund to the Authority for deposit into the Operating Fund at such times and in such amounts as may be required to pay, when due, the amount of any Operating Expenses in excess of the amounts then on deposit in the Operating Fund and available for such payment.

(2) Any moneys which are held in the Operating Reserve Fund shall be invested by the Trustee at the written direction of an Authorized Officer in Investment Obligations. Investment income which is derived from the investment of moneys which are on deposit in the Operating Reserve Fund shall be (a) retained in the Operating Reserve Fund (to the extent necessary so that the amount which is on deposit in the Operating Reserve Fund equals the Operating Reserve Fund Requirement), and (b) except as may be provided in any Supplemental Indenture, any excess investment earnings shall be transferred to the Revenue Fund.

(4) If on any Payment Date amounts held in the Debt Service Fund, the Debt Service Reserve Fund and the Capital Replacement Fund are insufficient to pay the Debt Service Requirement coming due on such Payment Date, the Trustee shall transfer from the Operating Reserve Fund to the respective accounts within the Debt Service Fund, *pro rata*, an amount equal to the lesser of (a) an amount sufficient to eliminate such deficiency or (b) the excess, if any, of any amounts on deposit in the Operating Reserve Fund over the Operating Reserve Fund Requirement.

#### Section 509. Application and Investment of Capital Replacement Fund.

(1) The Authority shall withdraw amounts from the Capital Replacement Fund and apply the same to the reasonable and necessary expenses of the Authority with respect to the

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Hospital for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.

(2) Any moneys which are on deposit in the Capital Replacement Fund shall be invested by the Authority in Investment Obligations. All investment income which is derived from the investment of moneys which are on deposit in the Capital Replacement Fund shall be held in the Capital Replacement Fund.

(3) If on any Payment Date amounts held in the Debt Service Fund and the Debt Service Reserve Fund are insufficient to pay the Debt Service Requirement coming due on such Payment Date, the Authority shall transfer from the Capital Replacement Fund to the Trustee for deposit into the respective accounts in the Debt Service Fund, *pro rata*, an amount sufficient to eliminate such deficiency.

(4) If on any date all withdrawals or payments which are required to be made from the Capital Replacement Fund by any other provision of the Indenture shall have been made and the amount on deposit in each account within the Debt Service Reserve Fund equals the applicable Debt Service Reserve Requirement, and the amount in the Capital Replacement Fund exceeds the Capital Reserve Requirement, the Authority shall withdraw the amount of such excess from the Capital Replacement Fund and shall pay the moneys so withdrawn to the Revenue Fund.

#### Section 510. Application and Investment of Rebate Fund.

(1) The Authority shall determine the amounts (as well as the dates of payment) which are subject to rebate to the United States government pursuant to the provisions of the Code (in order to ensure that interest on any Bonds which constitute Tax-Exempt Obligations continues to be excludable from Federal income taxation) in accordance with the terms of the Arbitrage and Tax Regulatory Agreement (or similar document or documents) executed by the Authority in connection with the authentication and delivery of any Series of Bonds. The amounts which are required to be rebated to the United States government shall be withdrawn from the accounts which are held under this Indenture (other than from any funds which are held for the payment of the purchase price for Variable Rate Bonds upon the tender of such Variable Rate Bonds by the Holders thereof), at the written direction of the Authority, and be deposited in the Rebate Fund. Such amounts shall be held in the Rebate Fund pending withdrawal of such amounts for payment to the United States government.

(2) Moneys which are on deposit in the Rebate Fund shall be invested by the Trustee, at the oral direction of an Authority Officer (promptly confirmed in writing), in Investment Obligations; provided however, that such investments shall mature in such amounts and at such times as will permit funds to be available when needed to make payments to the United States Government in accordance with the terms of this Section 510. All income from such Investment Obligations shall be held within the Rebate Fund.

(3) If there is not a sufficient amount in the Rebate Fund for any required payment to the United States government, the Authority shall promptly pay to the Trustee, from other

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sources or from moneys which are on deposit in the Revenue Fund and which are available for such purpose, the amount which is necessary to make up such deficiency.

**Section 511. Funds Held for Payment of Bonds.**

The amounts which are held by the Trustee or which are applied by the Paying Agent for the payment of the principal of, redemption premium, if any, or interest which is due on any date with respect to particular Bonds pertaining thereto, if any, shall, pending such payment, be set aside and held in trust for the Holders of the Bonds who are entitled to such payment, and for the purposes of the Indenture, such principal, redemption premium, if any, and interest after the date fixed for the payment thereof, shall no longer be considered to be unpaid.

**Section 512. Cancellation of Bonds.**

All Bonds which are purchased, redeemed or paid shall, if surrendered to the Authority or to any Paying Agent, be cancelled by it and delivered to the Registrar, or if such Bonds shall be surrendered to the Registrar, shall be cancelled by it. Such Bonds shall not be deemed to be Outstanding under the terms of the Indenture and no Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled by the Registrar and the Registrar shall be authorized to destroy such cancelled Bonds upon receipt of an order of the Authority and a certificate thereof shall be delivered by the Registrar to the Authority.

**Section 513. Assignment of City Guaranty.**

Subject to the terms of Section 616(b) hereof, all rights of the Authority to receive payments from the City under the provisions of a City Guaranty are hereby pledged for the benefit and security of the Holders of the Series of Bonds which are specifically entitled to the benefits of a City Guaranty and any Bond Insurer issuing a bond insurance policy in respect of such Series of Bonds in order to secure the punctual payment by the Authority of the principal of and interest on such Bonds, and, for said purpose, such rights are hereby assigned by the Authority to the Trustee. All payments which are to be received by the Authority pursuant to the terms of the City Guaranty are to be paid directly to the Trustee for deposit into the applicable accounts within the Debt Service Fund or the Debt Service Reserve Fund (as applicable) in accordance with the provisions of Section 207, Section 503(3) and Section 505 or Section 507 (as applicable) hereof. Prior to or simultaneously with the delivery of each Series of Bonds which are specifically entitled to the benefits of the City Guaranty upon original issuance, an Authority Officer shall deliver notification of such assignment to an Authorized City Representative.

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**ARTICLE VI  
Particular Covenants of Authority**

**Section 601. General.**

The Authority hereby particularly covenants and agrees with the Trustee, any Financing Facility Provider and with the Holders of the Bonds, and makes provisions which shall be a part of its contract with such Holders to the effect and with the purpose set forth in the following provisions and Sections of this Article.

**Section 602. Payment of Bonds.**

The Authority shall duly and punctually pay or cause to be paid (a) the principal of or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and (b) the amount of every Financing Facility Payment Obligation as and when the same become due. The Authority shall not directly or indirectly extend or assent to the extension of the time for payment of the principal of or interest on any Bonds and shall not directly or indirectly be a party to or approve any arrangement therefor. Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available hereunder for the payment of the principal of and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full.

**Section 603. Construction and Completion of a Project.**

The Authority shall construct and shall complete (or cause to be constructed and completed) the Project in accordance with the provisions of the Indenture.

**Section 604. Operation and Maintenance of Hospital.**

The Authority shall, at all times (a) operate the Hospital (or cause same to be operated) properly and in a sound and economical manner, and (b) maintain, preserve and keep the same properly or cause the same to be so maintained, preserved and kept), including all appurtenances thereto and every part and parcel thereof, in good repair, working order and condition. Further, the Authority shall make (or cause to be made) from time to time, all necessary and proper repairs, replacements and renewals so that the operation of the Hospital may be properly and advantageously conducted at all times.

**Section 605. Rules, Regulations and Other Details; Permits.**

(a) The Authority shall establish and enforce reasonable rules and regulations governing the operation, use and services of the Hospital. The Authority shall observe and perform (or cause to be observed and performed) all of the terms and conditions which are contained in all valid acts, rules, regulations, orders and directions of any legislative, executive,

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administrative or judicial body to the extent that same are applicable to the Hospital or to the Authority.

(b) The Authority shall diligently proceed to obtain (or cause to be obtained) and thereafter maintain (or cause to be maintained) all required or necessary permits, approvals or consents for the acquisition, construction or operation of the Hospital.

**Section 606. Payment of Lawful Charges.**

The Authority shall pay (or cause to be paid) all taxes and assessments or other municipal or governmental charges, if any, which are lawfully levied or assessed upon it for or with respect to the Hospital, or upon any part thereof or upon any Revenues derived therefrom, when the same shall become due, and the Authority shall duly observe and comply with, and shall cause its contractors, subcontractors, employees and agents to observe and comply with all valid Federal, state, county and local laws and regulations, rules and orders relating to the Hospital, and the Authority shall not create or suffer to be created any lien or charge upon the Hospital or upon any part thereof and the Authority shall not create or suffer to be created any lien or charge upon the Revenues which are derived therefrom, except as expressly provided by the terms of the Indenture. The Authority will pay and discharge (or cause to be paid and discharged) or will make adequate provision to satisfy and discharge within sixty (60) days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Hospital or upon any part thereof or upon the Revenues which are derived therefrom; provided however, that nothing contained in this Section shall require the Authority to pay and discharge (or cause to be paid and discharged), any such lien or charge as long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

**Section 607. Offices for Servicing Bonds.**

The Authority shall, at all times, maintain an office or agency in the State of New Jersey or in the Borough of Manhattan, in the City and State of New York where Bonds may be presented for registration, or redemption. The Authority hereby irrevocably appoints the Registrar as its agent to maintain such office for the registration, transfer or exchange of Bonds. The Authority shall appoint one or more Paying Agents as its agent to maintain such office for the payment or redemption of Bonds.

**Section 608. Powers as to Hospital and as to Collection of Revenues.**

The Authority has, and will have, as long as any Bonds remain outstanding, good right and lawful authority to maintain, operate and improve the Hospital or to provide for the maintenance, operation and improvement of same. The Authority has the power and covenants to prescribe and, from time to time, charge and collect all Revenues which are due or which are becoming due to it for the use of the Hospital subject, however, to the paramount powers of the State of New Jersey or the United States of America.

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**Section 609. Annual Budget.**

The Authority shall prepare, file and adopt an Annual Budget for each Fiscal Year in accordance with the provisions of the Local Authorities Law which shall include adequate funds to pay debt service on the Bonds. A copy of such Annual Budget shall be filed with the Trustee on or prior to the last day of each Fiscal Year and shall be mailed by the Authority to the issuer of any Financing Facility or Liquidity Facility and to any Bondholder upon request.

**Section 610. Insurance and Condemnation.**

(a) The Authority shall continuously maintain (or cause to be maintained), with qualified and experienced insurers having a reputation for insuring facilities of like character as those which make up the Hospital and which insurers are authorized to do business in the State of New Jersey or in such other manner as may be required or permitted by law, all insurance as is customarily maintained with respect to facilities of like character as the Hospital. Such insurance shall protect the Authority against loss or damage and against public and other liability to the extent reasonably necessary to protect the interests of the Bondholders. If any useful part of the Hospital shall be damaged or destroyed, the Authority shall, expeditiously as may be possible, commence and diligently prosecute the repair or replacement of the damaged property in order to restore the same to use.

(b) If any useful part of the Hospital shall be damaged or destroyed, the Authority shall have the option to either (a) as expeditiously as may be possible, commence and diligently prosecute the reconstruction, repair or replacement of the damaged property so as to restore the same to use; provided (i) there exists no Event of Default under this Indenture; and (ii) work of repair and restoration can be completed prior to the final maturity of the Bonds and (iii) the Authority furnishes evidence satisfactory to the Trustee of the Authority's ability to pay all amounts of principal and interest becoming due under the Indenture prior to completion of repair or (b) redeem the Bonds pursuant to the terms of a Supplemental Indenture providing for the issuance of such series of Bonds. If the Authority determines to repair and replace the damage to the Hospital, the proceeds of any insurance with respect to such damage or destruction (other than business interruption or use and occupancy insurance which shall be deposited in the Operating Fund) shall be paid over to the Trustee and deposited into a segregated account within the Construction Fund, from which the Authority shall cause such proceeds to be applied to the necessary costs involved in such reconstruction, repair and replacement. If the Costs of such reconstruction, repair and replacement exceed the proceeds of such insurance available for payment of the same, moneys available thereof in the Construction Fund, the Capital Replacement Fund or the Revenue Fund shall be used to the extent necessary for such purposes. The Authority may also issue Bonds or Project Notes for such purpose, as provided herein.

**Section 611. Sale or Encumbrance.**

Other than the Permitted Encumbrances, no part of the Hospital shall be sold, mortgaged, pledged, encumbered or otherwise disposed of by the Authority; provided however, that the Authority may, at any time and from time to time, sell or exchange a portion of the Hospital which the Authority determines by resolution is not useful or necessary in the construction,

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reconstruction or operation thereof. Any proceeds which are derived from any such sale or exchange shall be paid to the Trustee and shall, at the direction of the Authority either (i) be deposited into a segregated account within the Construction Fund, from which the Authority shall cause such proceeds to be applied to the costs of replacing the property so sold or exchanged, or to such other capital costs as shall be directed by the Authority, or (ii) be deposited into the Debt Service Fund for application toward the redemption or defeasance of Bonds. Notwithstanding the foregoing, (x) no deposit pursuant to clause (i) of the preceding sentence shall be made unless there shall be delivered to the Authority and to the Trustee and Opinion of Bond Counsel to the effect that such deposit will not, in and of itself, adversely affect the tax-exempt status of any Tax-Exempt Obligations (or impair the ability of any Bonds to thereafter convert to Tax-Exempt Obligations) and (y) if the amount to be deposited into the Debt Service Fund pursuant to clause (i) of the preceding sentence shall be less than \$5,000, no redemption or defeasance of Bonds shall be required.

#### **Section 612. Creation of Liens.**

Except as provided in Article III and this Section 612, the Authority shall not issue any bonds, notes, or other evidences of indebtedness, other than the Bonds, which are secured by a pledge of or other lien or charge on the Revenues and shall not create or cause to be created any lien or charge on such Revenues or on any amounts which are held by the Trustee or by any Paying Agent under the terms of the Indenture; provided however, that neither this Section nor any other provision of the Indenture shall prevent the Authority from issuing bonds or notes or other obligations for the purposes of the Authority which are payable out of, or which are secured by a pledge of Revenues which are to be derived on and after such a date as the pledge of such Revenues which is provided in the Indenture shall be discharged and satisfied as provided in Section 1201 hereof.

#### **Section 613. Certain Tax Covenants.**

The Authority shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on any Series of Bonds under Section 103 of the Code, if such Series constitutes a Series of Tax-Exempt Obligations. Without limiting the generality of the foregoing, the Authority shall not, directly or indirectly, use or permit the use of any proceeds of the Bonds or any other funds of the Authority, or take or omit to take any action that would cause any Series of Tax-Exempt Obligations to be "private activity bonds" within the meaning of Section 141 of the Code other than "qualified 501 (c)(3)bonds" within the meaning of Section 145 of the Code, or to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Authority shall comply with all requirements of Sections 145 and 148 of the Code to the extent applicable to the Bonds which are Tax-Exempt Obligations. In the event that at any time the Authority is of the opinion that for purposes of this Section 613 it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee pursuant to this Indenture or otherwise, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

#### **Section 614. Accounts and Audit.**

The Authority shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Hospital or any part thereof, and which, together with all other books and papers of the Authority, shall at all reasonable times be subject to inspection by the Trustee or its representatives which are duly authorized in writing. The Authority shall cause its books and accounts to be audited annually as of the end of each Fiscal Year. Such audit shall be made by an Accountant selected by the Authority and, within six months after the end of each Fiscal Year, copies of the reports of such audits shall be furnished to the Authority, to the Trustee and to the issuer of any Financing Facility. Such audits shall include statements, in reasonable detail, accompanied by a certificate of said Accountant, of financial condition, of Revenues, of all funds which are held by the Trustee or by any other Fiduciary and the security which is held therefor. The Authority shall cause a copy of every such audit report to be mailed to every Bondholder who shall request a copy of same.

#### **Section 615. Further Assurances.**

The Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming all and singular rights, revenues and other funds which are hereby pledged or assigned, or which are intended to be so pledged or assigned, or which the Authority may hereafter become bound to pledge or assign, or as may be reasonable and as may be required to carry out the purposes of the Indenture and to comply with the terms of the Act. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect (i) the pledge of the Revenues and the other funds which are pledged hereunder, and (ii) the rights of the Bondholders provided hereunder against all claims and demands of all persons whomsoever.

#### **Section 616. Compliance With City Guaranty and Enforcement of Revenues.**

(a) The Authority shall so plan, schedule and prosecute all construction with respect to the Project as to entitle it to make, impose and charge and collect Revenues with respect to the Hospital. The Authority shall take all reasonable measures which are permitted by the Act or otherwise by law, to enforce prompt payment to it of all Revenues, and shall at all times, to the extent permitted by the Act or otherwise by law, defend, enforce, preserve and protect the rights, benefits and privileges of the Authority and of the Bondholders hereunder.

(b) To the extent that Bonds of any Series are entitled to the benefits of the City Guaranty, the Authority shall not release or modify the obligations of the City under the terms of the City Guaranty in any manner which would adversely affect the City's obligation to make payments thereunder; provided further, that in the event that any Bonds which are entitled to the benefits of the City Guaranty are additionally secured by a bond insurance policy, the City Guaranty may not be amended without the prior written consent of the applicable Bond Insurer, which consent shall not be unreasonably withheld. Any modification of the City Guaranty shall

be delivered to the Trustee and shall be accompanied by a Counsel's Opinion which states that such modification is in compliance with the provisions of this Section. The Authority shall take all reasonable measures which are permitted by the Act or otherwise by law, to enforce prompt payment to it of all Revenues and shall at all times, to the extent permitted by the Act or otherwise by law, defend, enforce, preserve and protect the rights, benefits and privileges of the Authority and of the Bondholders under or with respect to the City Guaranty to the extent that Bonds of a particular Series are entitled to the benefits of such City Guaranty.

#### **Section 617. Conditions Precedent.**

On the date of issuance of any Series of Bonds, all conditions, acts and things which are required by the Constitution or by the statutes of the State of New Jersey or by the Indenture to exist, to have happened and to have been performed precedent to or in the issuance of any Series of Bonds shall exist, shall have happened and shall have been performed, and such Series of Bonds, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by said Constitution or statutes.

### **ARTICLE VII Redemption of Bonds**

#### **Section 701. Privilege of Redemption and Redemption Prices.**

Bonds subject to redemption prior to maturity pursuant to a Supplemental Indenture or a Series Resolution shall be redeemable, upon notice as provided in this Article VII, at such times, at such Redemption Prices and upon such terms in addition to the terms contained in this Article VII as may be specified in the Supplemental Indenture or Series Resolution authorizing such Series of Bonds.

#### **Section 702. Redemption at the Election or Direction of the Authority.**

In the case of any redemption of Bonds at the election or direction of the Authority, the Authority shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in this Indenture). Such notice shall be given at least forty (40) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 705 provided, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed. The Authority shall promptly notify the Trustee in writing of all such payments by it to such Paying Agents.

#### **Section 703. Redemption Otherwise Than at the Authority's Election or Direction.**

Whenever by the terms of this Indenture the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the Authority, the Trustee shall (i) select the Bonds or portions of Bonds to be redeemed, (ii) give the notice of redemption and (iii) pay out of moneys available therefor the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Article VII.

#### **Section 704. Selection of Bonds to be Redeemed.**

Unless otherwise provided in this Indenture, if less than all of the Bonds of like maturity of any Series shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall

treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing by \$5,000 the principal amount of such Bond to be redeemed in part.

**Section 705. Notice of Redemption.**

When the Trustee shall receive notice from the Authority of its election or direction to redeem Bonds pursuant to Section 702, and when redemption of Bonds is authorized or required pursuant to Section 703, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, postage prepaid, not less than twenty-five (25) days (or such other period as may be specified in the Supplemental Indenture or Series Resolution authorizing the Bonds to be redeemed) prior to the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Such notices shall also be given by publication in any Authorized Newspaper not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. Failure of the registered owner of any Bonds which are to be redeemed to receive any notice, or failure of the Authority to publish notices of redemption as provided in the immediately preceding sentence, shall not affect the validity of the proceedings for the redemption of the Bonds.

**Section 706. Payment of Redeemed Bonds**

Notice having been given in the manner provided in Section 705, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Bond, the Authority shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series and maturity in any authorized denominations. If, on the redemption date, moneys for the redemption of all of the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so

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available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

**Section 707. Alternate Redemption Provisions.**

The Authority may provide for alternate redemption features to be applicable to a particular Series of Bonds by Supplemental Indenture or Series Resolution authorizing such Series of Bonds, provided that such features are not inconsistent with and do not impair the rights of Holders of Bonds of such Series. Any such alternative redemption provisions shall be subject to the consent of the Bond Insurer insuring such Series of Bonds.

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**ARTICLE VIII  
Supplements to and Amendments of Indenture**

**Section 801. Supplemental Indentures If No Bonds Outstanding.**

Any Supplemental Indenture shall be fully effective in accordance with its terms upon its execution by the Authority to modify or to amend any of the terms or the provisions of this Indenture if no Bonds are Outstanding.

**Section 802. Supplemental Indentures Without Consent of Holders.**

For any one or more of the following purposes and at any time or from time to time, the Authority by resolution and the Trustee may enter into an indenture or a supplemental indenture amendatory hereof for the following purposes:

- (1) To close the Indenture against, or provide limitations and restrictions (in addition to the limitations and restrictions contained in the Indenture) on the issuance in the future of Bonds, or of project notes, bonds, obligations or other evidences of indebtedness;
- (2) To add other covenants or agreements to be observed by the Authority to the covenants or agreements of the Authority which are contained in the Indenture; provided however, that such other covenants and agreements are not contrary to or inconsistent with the terms of the Indenture as theretofore in effect;
- (3) To add other limitations or restrictions to be observed by the Authority to the limitations or restrictions which are contained in the Indenture; provided however, that such other limitations or restrictions are not contrary to or inconsistent with the terms of the Indenture as theretofore in effect;
- (4) To surrender any right, power or privilege which is reserved to or conferred upon the Authority by the terms of the Indenture;
- (5) To confirm, as further assurance, any pledge which is created under, and the subjection to any lien or pledge created or to be created by, the terms of the Indenture, of the Revenues or of any other moneys, securities or funds;
- (6) To specify, determine or authorize any and all matters and things relative to the Bonds or the proceeds which are derived or which are to be derived from the sale thereof which are not contrary to or inconsistent with the terms of the Indenture
- (7) To authorize Bonds, or, in connection therewith, to specify, determine or authorize the matters and things which are mentioned or which are referred to in Article III hereof and any other matters and things relative to such Bonds or to the proceeds derived from the sale thereof which are not contrary to or inconsistent with the terms of the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the authentication and delivery of the Bonds;

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- (8) To specify, determine or modify provisions of the Indenture which are required in order to obtain a credit rating for any Bonds; and

- (9) To make any other change in the Indenture that in the opinion of Bond Counsel to the Authority does not materially adversely affect the rights of the Holders of any of the Bonds.

**Section 803. Supplemental Indentures Effective Upon Consent of Trustee.**

For any one or more of the following purposes and at any time, or from time to time, the Authority by resolution and the Trustee may enter into an indenture or supplemental indenture amending or supplementing the Indenture subject to receipt of the documents required under Sections 805 and 806 hereof, by the filing with the Authority of a written instrument of the Trustee consenting to such Supplemental Indenture, shall be fully effective in accordance with its terms:

- (1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture; and
- (2) To insert such provisions clarifying matters or questions arising under the terms of the Indenture as are necessary or desirable and which are not contrary to or inconsistent with the terms of the Indenture as theretofore in effect.

**Section 804. Supplemental Indentures Effective with Consent of Bondholders.**

(a) At any time, or from time to time, the Authority by resolution and the Trustee may enter into an indenture or supplemental indenture amending or supplementing the Indenture whether applicable to all Bonds or to any particular Series thereof, modifying any of the provisions of the Indenture or releasing the Authority from any of the obligations, covenants, agreements, limitations, conditions or restrictions which are contained therein, but no such Supplemental Indenture shall be effective until after the filing with the Trustee of a copy thereof, certified by the Secretary/Treasurer or Assistant Secretary of the Authority, and unless (1) no Bonds which have been authenticated and delivered by the Trustee upon original issuance, or thereafter by the Registrar, prior to the adoption of such resolution remain outstanding at the time such Supplemental Indenture becomes effective, or (2) such Supplemental Indenture is consented to by or on behalf of Bondholders; provided however, that if the provisions of such resolution are applicable solely to the Holders of a particular Series of Bonds, the provisions of this Section shall apply only to such Series of Bonds. If permitted by an applicable Supplemental Indenture or Series Resolution, a Financing Facility Provider of a Financing Facility securing a Series of Bonds shall have the right to consent to amendments on behalf and in lieu of the Owners of the Bonds of such Series.

(b) The provisions of paragraph (a) of this Section shall not be applicable to resolutions of the Authority which are adopted and which become effective in accordance with the provisions of Section 801, Section 802 or Section 803 hereof.

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**Section 805. Restriction on Amendments.**

The Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article. Nothing contained in this Article shall effect or limit the right or obligation of the Authority to pass, make, do, execute, acknowledge or deliver any resolution, act, deed, conveyance, assignment, transfer or assurance pursuant to the provision of Section 617 hereof or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which the Authority is required to deliver to said Fiduciary.

**Section 806. Execution and Filing of Supplemental Indenture.**

Any Supplemental Indenture of the Authority which is referred to and which is permitted or authorized by the terms of Sections 801, 802 or 803 hereof may be executed and delivered by the Authority without the vote or consent of any of the Bondholders, but such Supplemental Indenture shall become effective only on the conditions, to the extent and at the time provided in said Sections. A copy of every such Supplemental Indenture shall be filed with the Trustee and the issuer of any Financing Facility and shall be accompanied by a Counsel's Opinion to the effect that such indenture has been duly and lawfully executed and delivered by the Authority in accordance with the provisions of the Indenture, is authorized or permitted by the provisions of the Indenture and when effective, will be valid and binding upon the Authority and will be enforceable in accordance with its terms.

**Section 807. Authorization to Trustee.**

The Trustee shall sign any amendment or supplement to this Indenture or the Bonds authorized by this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing an amendment or supplement, the Trustee will be entitled to receive and (subject to Section 10.2 hereof) will be fully protected in relying on an Opinion of Counsel stating that such amendment or supplement is authorized by this Indenture.

**Section 808. Notice to Owners.**

The Trustee shall cause ten (10) Business Days' prior written notice of the execution of each supplement or amendment to this Indenture to be sent to each Owner, which notice shall contain a copy of such proposed amendment or supplement.

**Section 809. No Modification of Duties and Obligations of Fiduciary or Issuer of Financing Facility or Liquidity Facility.**

Notwithstanding the provisions of this Article VIII, no modification or supplement of the Indenture shall change or modify any of the duties or obligations of any Fiduciary or the issuer of any Financing Facility or Liquidity Facility without its prior written consent thereto.

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**Section 810. Consent of Issuer of Financing Facility.**

Notwithstanding the provisions contained in this Article VIII to the contrary, no modification or supplement of the Indenture shall be made pursuant to the provisions of Section 802(8) or Section 804 hereof without the prior written consent of the issuer of any Financing Facility.

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**ARTICLE IX  
Discharge of Indenture**

**Section 901. Bonds Deemed Paid; Discharge of Indenture.**

(a) Any Bond will be deemed paid for all purposes under this Indenture when (i) payment in full of the principal or redemption price of and interest on such Bond to the due date of such principal and interest (whether at maturity, upon redemption or otherwise) either (A) has been made in accordance with the terms of such Bond or (B) has been provided for in accordance with the provisions of Section 1201 hereof. When any Bond is deemed paid, it will no longer be secured by or entitled to the benefits of this Indenture or be an obligation of the Authority, or be subject to Optional Redemption at a date earlier than that specified pursuant to Section 1201(2) hereof, except for: (x) payment from money or Defeasance Obligations under Section 1201(2) hereof; (y) such Bond may be transferred, exchanged, registered, discharged from registration or replaced as provided in Article III; and (z) such Bond shall be entitled to the benefit of Sections 510 and 512 hereof.

(b) When all Outstanding Bonds are deemed paid under the foregoing provisions of this Section, and all other obligations hereunder are satisfied and provision is made to the satisfaction of the Trustee for its expenses, the Trustee will upon request acknowledge the discharge of the lien of this Indenture, provided, however, that the obligations under Article III hereof in respect of the transfer, exchange, registration, discharge from registration and replacement of Bonds and Sections 510 and 512 hereof shall survive the discharge of the lien of this Indenture.

**Section 902. Application of Trust Money.**

The Trustee shall hold in trust money or Defeasance Obligations deposited with it pursuant to Sections 901 and 1201 hereof and shall apply the deposited money and the money from the Defeasance Obligations in accordance with this Indenture only to the payment of principal of and interest on the applicable Bonds.

**Section 903. Notification to Authority of Payment of Bonds.**

The Trustee shall notify the Authority in writing of the final maturity and payment of the Bonds, and of each redemption and prepayment of the Bonds upon such payment or prepayment.

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**ARTICLE X  
Default Provisions and Remedies of Trustee and Bondholders**

**Section 1001. Events of Default.**

The occurrence of any of the following events is hereby defined as and is declared to be and to constitute an "Event of Default:"

(a) Default by the Authority in the due and punctual payment of any interest on any Bond; or

(b) Default by the Authority in the due and punctual payment of the principal or Redemption Price of any Bond, whether at the stated maturity thereof, the tender thereof in accordance with the provisions of the Supplemental Indenture authorizing the issuance of Variable Rate Bonds or the redemption date set therefor in accordance with the terms of the Indenture; or

(c) Default by the Authority in the due and punctual payment of any Financing Facility Payment Obligations.

(d) Subject to the provisions of Section 1011 hereof, failure by the Authority to observe and to perform any covenant, condition or agreement on the part of the Authority which is provided by the Indenture and the continuance of such failure for a period of thirty (30) days after written notice, or such longer period as shall be provided under Section 1011 hereof, specifying such failure and requesting that it be remedied, shall be given to the Authority by the Trustee; or

(e) The filing of a petition by the Authority seeking a composition of indebtedness under the Federal Bankruptcy Laws or under any other applicable law or statute of the United States of American or of the State of New Jersey; or

(f) Such additional Events of Default as may be set forth in a Supplemental Indenture or Series Resolution authorizing such Series of Bonds.

**Section 1002. Acceleration.**

Upon the occurrence of an Event of Default which is identified in Section 1001 (a), (b), (c) or (d) hereof, at the written request of the Holders of not less than a majority in aggregate principal amount of Bonds which are then Outstanding, the Trustee shall declare the principal of all Bonds which are then Outstanding and the interest which has accrued thereon to the date of such acceleration to be immediately due and payable by written notice delivered to the Authority.

(b) Unless otherwise provided in a Supplemental Indenture or Series Resolution authorizing such Series of Bonds, upon the occurrence of an Event of Default which is identified in Section 1001(e) hereof and such Event of Default continues without remedy for a period of

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thirty (30) days, at the written request of the Holders of not less than a majority in aggregate principal amount of Bonds which are then Outstanding, the Trustee shall declare the principal of all Bonds which are then Outstanding and the interest which has accrued thereon to the date of such acceleration to be immediately due and payable by written notice to the Authority.

(c) Upon any declaration provided in this Section, the principal of and such interest on all Bonds which are then Outstanding shall become immediately due and payable.

(d) Upon the occurrence of any Event of Default which is identified in Section 1001(f) hereof, the Trustee shall take such actions as are set forth in the Supplemental Indenture or Series Certificate identified in Section 1001(f) hereof.

(e) Notwithstanding anything contained in this Section 1002 to the contrary, to the extent that any of the Bonds are secured by a Financing Facility, the Trustee shall not declare an acceleration of such Bonds without the prior written consent of the provider of such Financing Facility.

#### Section 1003. Other Remedies.

Upon the occurrence of an Event of Default, the Trustee may pursue any remedy which is available to it at law or in equity or by statute.

No remedy which is conferred upon or reserved to the Trustee or to the Bondholders by the terms of this Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such occurrence of any Event of Default or the acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

#### Section 1004. Rights of Bondholders.

If an Event of Default shall have occurred and shall be continuing and if requested to do so by the Holders of not less than a majority in aggregate principal amount of the Bonds which are then Outstanding and if indemnified as provided in the Indenture, the Trustee shall (subject to receipt of indemnification by the Bondholders in form and amount satisfactory to the Trustee) be obligated to exercise such one or more of the rights and the remedies conferred by this Article as the Trustee shall deem to be in the interests of the Bondholders and which are not contrary to law.

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#### Section 1005. Rights of Bondholders to Direct Proceedings.

Anything in this Indenture to the contrary notwithstanding, the (a) issuer of any Financing Facility or Liquidity Facility which is the Holder of any Bonds on the date of the occurrence of such Event of Default, and (b) owners of a majority in aggregate principal amount of the Bonds which are then Outstanding shall each have the right, at any time, by a written instrument or instruments which shall be duly executed and delivered to the Trustee, to direct the method and the place of conducting all proceedings to be taken in connection with the enforcement of the terms and the conditions of this Indenture or for the appointment of a receiver or any other proceeding hereunder; provided however, that such direction shall not be otherwise than in accordance with the provisions of law.

#### Section 1006. Application of Moneys.

All moneys which are received by the Trustee pursuant to any right which is given or any action which is taken under the provisions of this Article shall be deposited into the Debt Service Fund (after payment of the costs and the expenses of the proceedings resulting in the collection of such moneys and after payment of the fees, expenses, liabilities and advances which have been incurred or made by the Trustee, including legal fees), and all moneys which are on deposit in the various funds established under the terms of the Indenture (except the Rebate Fund) shall be applied as follows:

(a) Unless the principal of all of the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons who are entitled thereto of all installments of interest and Principal Installments which are then due on the Bonds and all Parity Financing Facility Payment Obligations which are then due in the order of the maturity of the installments of such interest, Principal Installments and Parity Financing Facility Payment Obligations and, if the amount which is available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amount due on such installment, to the persons who are entitled thereto, without any discrimination or privilege; and

Second: To the payment to the persons who are entitled thereto of all Subordinated Financing Facility Payment Obligations which are then due, in order of their due dates, and, if the amount which is available shall not be sufficient to pay in full the Bonds which are due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons who are entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied as follows:

First: To the payment of the principal and the interest then due and unpaid upon the Bonds and all Parity Financing Facility Payment Obligations without preference or

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priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts which are due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; and

Second: To the payment of all Subordinated Financing Facility Payment Obligations which are then due, without preference or priority, ratably, according to the amount of due on such date, to the persons who are entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared to be due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys which are available for application and the likelihood of additional moneys becoming available for such application in the future. In making such determination, the Trustee may rely conclusively upon documents available to it regarding such factors or may rely upon an opinion of counsel or opinion of counsel to the Authority regarding such factors. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made on such date, interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the owner of any Bond until such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if paid in full.

Whenever the principal of, the redemption premium, if any, and the interest on all Bonds have been paid under the provisions of this Section and all fees, expenses, including legal fees, and charge of the Trustee have been paid, any balance which is remaining in the Debt Service Fund shall be paid (i) to the City, to the extent required by the terms of any guaranty agreement entered into in connection with the City Guaranty, and (ii) thereafter, to the Authority.

#### Section 1007. Remedies Vested in Trustee.

All remedies and rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the owners of the Outstanding Bonds.

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#### Section 1008. Rights and Remedies of Bondholders.

No Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the provisions of the Indenture, for the execution of any trust thereof or for the appointment of a receiver or to enforce any other remedy hereunder, unless (1) a default has occurred of which an authorized officer of the Trustee has been notified as provided in the Indenture, (2) such default shall have become an Event of Default and the owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds which are then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers which were hereinbefore granted or to institute such action, suit or proceeding in its own name; (3) such Bond Owners have provided the Trustee with the indemnification which is provided in the Indenture; and (4) the Trustee shall thereafter fail or shall refuse to exercise the powers hereinbefore granted or to institute such action, suit or proceedings in its, his, her, or their own name or names. Such notification, request and offer or indemnification are hereby declared in every case (at the option of the Trustee) to be conditions precedent to the execution of the powers and the trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for the appointment of a receiver or for any other right or remedy hereunder. No one or more owners of the Bonds shall have any right in any manner whatsoever to affect, to disturb or to prejudice the lien of the Indenture by its, his, her or their action or to enforce any right or remedy hereunder except in the manner herein provided and all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Holders of all Bonds which are then Outstanding. Nothing contained in this Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, redemption premium, if any, and the interest on any Bond at and after the maturity thereof or the redemption date set therefor, or the obligation of the Authority to pay the principal of, the redemption premium, if any, and the interest on each of the Bonds which are issued hereunder to the respective owners thereof at the time, at the place, from the sources and in the manner expressed in the Bonds.

#### Section 1009. Termination of Proceedings.

If the Trustee shall have proceeded to enforce any right or remedy under the terms of the Indenture by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then in every such case the Authority and the Trustee shall be restored to their former respective positions and rights hereunder and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

#### Section 1010. Waivers of Defaults.

The Trustee may in its discretion waive any Event of Default hereunder, and the consequences specified in Section 1002 and 1003, and rescind any declaration of maturity of principal and shall do so upon the written request of the owners of: (1) a majority in aggregate principal amount of all Bonds which are then Outstanding with respect to which an Event of Default in the payment of principal or interest exists; or (2) a majority in aggregate principal

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amount of all Bonds which are then Outstanding in the case of any other default; provided, however, that there shall not be waived (a) any Event of Default with respect to the payment of the principal of any Bond at its maturity date or the redemption date prior to maturity, or (b) any Event of Default with respect to the payment of the interest on any Bond, unless prior to such waiver or rescission, all arrears of principal (due otherwise than by declaration) and interest, with interest (to the extent permitted by law) at the rate borne by the Bonds with respect to which such default shall have occurred on overdue installments of interest and all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee in connection with such default, including legal fees, shall have been paid or provided for and, in case of any such waiver or rescission or in case any proceedings taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon. Any decision by the Trustee to waive any event of default as aforementioned shall not expose the Trustee to liability provided that the Trustee exercised good faith when waiving such event of default.

#### **Section 1011. Notice of Events of Defaults; Opportunity of the Authority to Cure Defaults.**

(a) No Event of Default which is specified in Section 1001(d) hereof shall constitute an Event of Default hereunder until notice of such Event of Default shall be given by the Trustee or by the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds which are then Outstanding to the Authority, by registered or certified mail, personal service, or by overnight mail or courier service, and the Authority shall have had thirty (30) days after receipt of such notice to correct such Event of Default or cause such Event of Default to be corrected and shall not have corrected such Event of Default or caused such Event of Default to be corrected within the applicable period; provided however, that if such Event of Default is such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default hereunder if corrective action which is designed to remedy such Event of Default is instituted by the Authority within the applicable period and diligently pursued until such Event of Default is corrected..

(b) Notwithstanding anything contained herein to the contrary, the Trustee shall provide notice to the issuer of any Financing Facility of the occurrence of any Event of Default which is known to the Trustee within thirty (30) days of the Trustee's knowledge thereof.

#### **Section 1012. Events of Default and Remedies Relating to Variable Rate Bonds.**

Notwithstanding any provision of this Article X to the contrary, in the event that any Series of Bonds are issued as Variable Rate Bonds, the provisions of this Article X may be supplemented by the provisions of a Supplemental Indenture or Series Resolution authorizing such Variable Rate Bonds.

#### **Section 1013. Bond Insurer and Financing Facility Issuer Treated as Holders of Bonds.**

(a) Notwithstanding the provisions of the Indenture to the contrary, as long as any Bond Insurer has not failed to honor its payment obligation under its bond insurance policy in respect of a Series of Bonds, the Bond Insurer shall be deemed to be the sole Holder of the principal amount of such Bonds, unless otherwise provided in the Supplemental Indenture authorizing such Series of Bonds. As such, any actions (including, without limitation, voting rights under Article VIII hereof) which are permitted to be taken by (or required to be taken by) the Holders of any Series of Bonds, other than actions which must be taken by a unanimous vote of all Bonds affected (as to which matters the Holders shall retain their powers), shall instead be taken by the Bond Insurer, unless otherwise provided in the Supplemental Indenture authorizing such Series of Bonds.

(b) The issuer of any Financing Facility in respect of any Bonds shall have such rights, whether in addition to or in lieu of the rights of the Holders of such Bonds, as shall be provided in the Supplemental Indenture authorizing such Series of Bonds.

### **ARTICLE XI Trustee, Paying Agent and Registrar**

#### **Section 1101. Appointment of Trustee.**

Commerce Bank, National Association, having a corporate trust office in Cherry Hill, New Jersey, shall be and hereby is appointed to serve as Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the terms of the Indenture by executing the certificate of authentication endorsed upon the Bonds upon original issuance and by delivering a written acceptance thereof to the Authority. By executing such certificate of authentication upon any Bond and by delivery of such written certificate, the Trustee shall be deemed to have accepted such duties and obligations not only with respect to the Bond so authenticated, but also with respect to all the Bonds to be issued thereafter in lieu of or in substitution therefor, but only, however, upon the terms and conditions set forth in the Indenture.

#### **Section 1102. Appointment of Paying Agents, Registrar and Securities Depository.**

(a) The Authority shall appoint one or more Paying Agents for the Bonds (other than Book-Entry Bonds). Such Paying Agents shall be appointed pursuant to a Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of the Bonds upon original issuance, and the Authority may at any time or from time to time by Supplemental Indenture appoint one or more other Paying Agents for such Bonds; provided however, that each Paying Agent shall not be liable for the acts or omissions taken or suffered by such other Paying Agents. Each Paying Agent shall be a bank, trust company, national banking association or other banking institution doing business and having an office in the State of New Jersey or in the Borough of Manhattan, City and State of New York and having trust powers if there be such a bank, trust company, national banking association or other banking institution willing and able to accept the office on reasonable and customary terms and which is authorized by law to perform all the duties imposed upon it by the terms of the Indenture. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the terms of the Indenture by executing and delivering a written acceptance thereof to the Authority and to the Trustee. The Trustee may be appointed and may serve as a Paying Agent for the Bonds. Provisions relating to the payment of Book-Entry Bonds shall be determined by a Supplemental Indenture of the Authority, duly adopted prior to the authentication and delivery of such Book-Entry Bonds upon original issuance.

(b) The Authority shall appoint a Registrar for each Series of Bonds which are issued in registered form (other than Book-Entry Bonds) by a Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of such Bonds. Such Registrar shall be a bank, trust company, national banking association or other banking institution doing business and having an office in the State of New Jersey or in the Borough of Manhattan, City and State of New York, if there be such a bank, trust company, national banking association or other banking institution willing and able to accept the office on reasonable and customary terms and which is authorized by law to perform all of the duties which are imposed upon it by the terms of the Indenture. The Registrar shall signify its acceptance of the duties and obligations imposed upon it by the terms of the Indenture by executing and delivering a written acceptance thereof to

the Authority and to the Trustee. The Trustee or the Paying Agent may be appointed and may serve as a Registrar for the Bonds. Provisions relating to the transfer or registration of Book-Entry Bonds shall be determined by a Supplemental Indenture of the Authority, duly adopted prior to the authentication and delivery of such Book-Entry Bonds upon original issuance.

(c) In connection with the issuance of Book-Entry Bonds, the Authority shall appoint a Securities Depository for the purpose of (a) holding (on behalf of its participants) the Book-Entry Bonds in safekeeping, and (b) performing the duties which are otherwise performed by the Paying Agent for all Bonds and the Registrar for all Registered Bonds. Such Securities Depository shall be appointed pursuant to the terms of a Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of such Book-Entry Bonds upon original issuance. Such Securities Depository shall be a bank or corporation having its office in the Borough of Manhattan, City and State of New York which is willing and able to accept the appointment upon reasonable and customary terms and which is authorized by law to perform all of the duties which are imposed upon it by the terms of the Indenture.

#### **Section 1103. Responsibilities of Fiduciaries.**

The recitals of fact which are contained in the Indenture and in the Bonds shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Indenture or of any Bond which is issued thereunder or with respect to the security afforded by the terms of the Indenture, and no Fiduciary shall incur any responsibility in respect thereof. The Trustee or the Registrar, as the case may be, shall however, be responsible for the representation which is contained in its certificate of authentication which appears on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds which are derived from the sale thereof except that the Trustee shall be responsible for such application to the extent that such proceeds are paid to the Trustee in accordance with the provisions of Article V hereof and in connection with the issuance of Additional Bonds pursuant to the provisions of Section 311 hereof. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any action or suit with respect to the terms of the Indenture or the Bonds, or to advance any of its own moneys, unless properly indemnified by the Authority or the Bondholders, as the case may be. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own gross negligence or willful misconduct.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been remedied), the Trustee shall exercise such of the rights and powers which are vested in it by the terms of the Indenture, and shall use the same degree of care and skill in the exercise of such powers as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provisions of the Indenture which relates to actions which



have been taken or which are to be taken by the Trustee or which relates to the evidence upon which the Trustee may rely shall be subject to the provisions of this Section 1103.

Notwithstanding any of the foregoing, the Trustee, at least annually and as often as may be reasonably requested by the Authority (but not more frequently than monthly), shall be responsible for delivering a written statement to the Authority which details, among other things (a) the Bonds, if any, which have been purchased or redeemed by it pursuant to the terms of hereof, (b) the report of the Registrar stating any new Bonds which have been issued in lieu of or in substitution for Bonds pursuant to the terms of Section 304, Section 307, or Section 311, and (c) the balances as of said dates, together with investment income, if any, which has been earned thereon, which are on deposit in each of the funds of the Authority which have been established and created by Section 501 hereof or which have been otherwise created and which are held by the Trustee pursuant to the terms thereof.

#### **Section 1104. Property Held in Trust.**

All moneys and securities which are held by any Fiduciary at any time pursuant to the terms of the Indenture shall be and hereby are assigned, transferred and set over unto such Fiduciary in trust for the purpose and under the terms and conditions set forth in the Indenture.

#### **Section 1105. Deposit and Security of Funds.**

To the extent permitted by law, all moneys (not including securities) which are held by any Fiduciary pursuant to the terms of the Indenture, may, subject to the provisions of this Section, and in accordance with the provisions of the Governmental Unit Deposit Protection Act (N.J.S.A. 17:9-41 et seq.), be deposited by it, in demand or time deposits, in its banking department or with such other banks, trust companies, national banking associations or other banking institutions, each having its principal office in the State of New Jersey, as may be designated by the Authority and approved by the Trustee. No such moneys shall be deposited with any bank, trust company, national banking association or other banking institution other than the Trustee, in an amount exceeding fifty per centum (50%) of the amount which an authorized officer of such bank, trust company, national banking association or other banking institution shall certify to the Trustee and to the Authority as the combined capital and surplus of such bank, trust company, national banking institution or other banking institution. Each Fiduciary shall allow and shall credit interest on any such moneys which are held by it at such rate as it customarily allows upon similar funds of similar size under similar conditions or as is required by law. Unless otherwise provided under the terms of the Indenture, interest with respect to moneys or securities which are on deposit in any fund or account shall be credited in each case to the fund or account in which such moneys or securities are held.

Notwithstanding anything in the Indenture to the contrary, all accounts which are held by the Paying Agent or the Tender Agent for any purpose shall be non-interest bearing and all moneys which are so held shall not be invested by the Paying Agent or the Tender Agent pending disbursement of the same.

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#### **Section 1109. Resignation of Fiduciary.**

Unless otherwise provided in any Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of any Series of Bonds, or by the terms of any agreement by and between the Authority and such Fiduciary specifically authorized by a Supplemental Indenture of the Authority, a Fiduciary, or any successor thereof, may at any time resign and shall be discharged of its duties and obligations created by the Indenture by giving not less than sixty (60) days written notice to the Authority and by mailing notice thereof to the Registered Owners. Such notice shall specify the date when such resignation shall take effect and shall be published at least once in the Authorized Newspaper within twenty (20) days after the giving of such written notice. Except as otherwise provided herein, such resignation shall take effect on the day specified in such notice unless a successor shall have been previously appointed by the Authority or by the Bondholders, as herein provided in which even such resignation shall take effect immediately upon the appointment of such successor. Notwithstanding anything herein to the contrary, such Fiduciary shall be obligated to continue to perform all of the duties and obligations required to be performed by such Fiduciary under the terms of the Indenture, until such time as a successor Fiduciary has been appointed and has accepted such appointment, as provided in the Indenture.

#### **Section 1110. Removal.**

Unless otherwise provided in a supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of any Series of Bonds, or by the terms of any agreement by and between the Authority and such Fiduciary specifically authorized by a Supplemental Indenture of the Authority, a Fiduciary, or any successor thereof, may be removed at any time by the Authority upon appointment of a successor or by the Holders of a majority in principal amount of the Bonds which are then Outstanding, excluding any Bonds which are held by or for the account of the Authority, upon forty-five (45) days written notice, by a written instrument or concurrent written instruments signed and duly acknowledged by the Authority or by such Bondholders or by their attorneys duly authorized in writing and delivered to the Authority. Such removal shall take effect upon the expiration of said forty-five (45) day period; provided however, that such removal shall not be effective until such time as a successor. Fiduciary has been appointed and has accepted such appointment, as provided in this Indenture. Copies of each such instrument shall be delivered by the Authority to each of the other Fiduciaries.

#### **Section 1111. Appointment of Successor Fiduciary.**

Unless otherwise provided in a Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of any Series of Bonds, or the terms of any agreement by and between the Authority and such Fiduciary specifically authorized by a Supplemental Indenture of the Authority, in case any Fiduciary, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of such Fiduciary or if its property shall be appointed, or if any public officer shall take charge or control of such Fiduciary or of its property or affairs, a successor may be appointed by the Authority by a duly executed written instrument signed by an Authority Officer, but if the Authority does not appoint a successor Trustee within sixty (60)

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#### **Section 1106. Evidence Supporting Action.**

Each Fiduciary and, in the case of Variable Rate Bonds, the Remarketing Agent, the Indexing Agent and the Tender Agent, shall be fully protected in acting or relying upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, bond or other paper or document which it reasonably believes to be genuine and which it reasonably believes has been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection with respect to any action taken or suffered by it hereunder in good faith and in accordance therewith. In its discretion, a Fiduciary may accept such evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction which is required or permitted to be furnished pursuant to any provision hereof by or on behalf of the Authority to any Fiduciary shall be sufficiently executed if executed in the name of the Authority by an Authority Officer.

#### **Section 1107. Compensation.**

Unless otherwise provided for by the terms of a contract with the Fiduciary, the Authority shall pay reasonable compensation from time to time to each Fiduciary for all services rendered by it hereunder, and the Authority shall also reimburse any Fiduciary for all of its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys, agents, and employees which are incurred in and about the performance of its powers and duties hereunder, and each Fiduciary shall have a first lien thereon on any and all funds and other property which shall at any time be held by it hereunder; provided, however, that moneys which are on deposit in any fund which represents the proceeds from any draw made under any Financing Facility or Liquidity Facility issued with respect to the Bonds shall not be subject to such lien. The Authority and/or the Bondholders, as the case may be, shall indemnify and shall save each Fiduciary harmless against any liabilities, loss or expenses including without limitation, reasonable attorney's fees and the cost of defending or settling any action, suit or proceeding or resisting any claim which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its gross negligence or willful misconduct.

#### **Section 1108. Certain Permitted Acts.**

Any Fiduciary may become the owner of or may deal in the Bonds as fully and with the same rights as it would have had if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Indenture, whether or not such committee shall represent the Holders of a majority in principal amount of the Bonds which are then Outstanding. Notwithstanding any other provision of the Indenture, nothing contained herein shall restrict any Fiduciary from entering into any contract, agreement or other relationship relating to the provision of banking, financial or other services to the Authority, the Municipalities, or any agencies thereof.

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days then by the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee. After such appointment of a successor Trustee, the Authority shall mail notice of any such appointment by it or the Bondholders to the registered owners of the Bonds then Outstanding. If in a proper case no appointment of a successor Fiduciary shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiduciary shall have given written notice to the Authority as provided in Section 1109 hereof or after the occurrence of any other event requiring or authorizing such appointment, the Fiduciary or any other fiduciary or any Bondholder may apply to any court of competent jurisdiction to appoint such successor. Said court may thereupon, after such notice, if any, as such court may deem proper and may prescribe, appoint such successor Fiduciary. Any successor Fiduciary appointed under the provisions of this Section shall be a bank, trust company, national banking association or other banking institution doing business and having an office located in the State of New Jersey having the qualifications which are prescribed by this Article, if there be such a bank, trust company, national banking association or other banking institution willing and able to accept the appointment on reasonable and customary terms and which is authorized by law to perform all duties which are imposed upon it by the terms of the Indenture. Notwithstanding any provision contained herein to the contrary, any successor trustee which shall be appointed shall have a capital and surplus of at least \$50,000,000.

#### **Section 1112. Transfer of Rights and Property to Successor Fiduciary.**

Any successor Fiduciary which is appointed under the provisions of Section 1111 hereof shall execute and deliver to its predecessor Fiduciary, and also to the Authority, a written instrument accepting such appointment, and thereupon such successor Fiduciary, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Fiduciary, with like effect as if named herein as such Fiduciary. The Fiduciary ceasing to act shall nevertheless, upon payment of such Fiduciary's fees and expenses, and upon the written request of the Authority or of the successor Fiduciary, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other thing as may reasonably be required to more fully and certainly vest and confirm in such successor Fiduciary all the right, title and interest of the predecessor Fiduciary in and to any property held by it under the terms of the Indenture. The predecessor Fiduciary shall pay over, assign and deliver to the successor Fiduciary and money or other property which is subject to the trusts and conditions herein set forth. Should any deed, conveyance or written instrument be required from the Authority by such successor Fiduciary to more fully and certainly vest in and confirm to such successor Fiduciary any such moneys, estates, properties, rights, powers, duties or obligations, any and all such deeds, conveyances and written instruments shall, upon request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Fiduciary shall promptly notify the other Fiduciaries of its appointment as such Fiduciary.

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#### Section 1113. Merger or Consolidation.

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversation or consolidation to which it shall be a party or any company to which such Fiduciary may sell or transfer all or substantially all of its corporate trust business (provided that such company shall be a bank, trust company, national banking association or other banking institution which is qualified to be a successor to such Fiduciary under the provisions of Section 1111 hereof, and which shall be authorized by law to perform all the duties imposed upon it by the terms of the Indenture) shall be the successor to such Fiduciary without the execution or filing of any paper, or the performance of any further act, deed or conveyance.

#### Section 1114. Adoption of Authentication.

In case any of the Bonds which are contemplated to be issued under the terms of the Indenture shall have been authenticated but not delivered, any successor Trustee or Registrar, as the case may be, may adopt the certificate of authentication of any predecessor Trustee or Registrar so authenticating such Bonds and may deliver such Bonds so authenticated. In any case where any Bonds shall not have been authenticated, any successor Trustee or Registrar may authenticate such Bonds in the name of the predecessor Trustee or Registrar, as the case may be, or in the name of the successor Trustee or Registrar, and in all such cases such certificate of authentication shall have the full force and effect which is provided in said Bonds or in the Indenture.

Obligations referred to above are sufficient to provide for the defeasance of all Outstanding Bonds of such Series, or a maturity within such Series, any additional moneys which are generated or which are available may be paid over to the Authority by the Trustee and may be used by the Authority for any lawful purpose, free and clear of any trust, lien or pledge. Any deficiency in the amounts which are on deposit with the Trustee which are necessary to accomplish a defeasance of the Bonds in accordance with the terms of this Section shall be deposited promptly by the Authority with the Trustee for the purposes of accomplishing said defeasance.

(3) Notwithstanding anything contained herein to the contrary, no such defeasance shall be effective until all payments which are due and owing to the issuer of any Financing Facility or Liquidity Facility issued for or with respect to the Bonds to be defeased have been paid by, or on behalf of the Authority.

(4) Notwithstanding anything herein to the contrary, any obligation of the Authority to make a payment to the United States of America pursuant to the provisions of Section 511 hereof shall survive the defeasance of the lien of the Indenture provided under this Section 1201.

(5) Notwithstanding anything contained herein to the contrary, any payments made pursuant to this Section 1201 by the issuer of any Financing Facility shall be deemed to be made in satisfaction of the Authority's obligations to the Holders of the Bonds with respect to which and to the extent to which such payments are made. However, such payments by the issuer of such Financing Facility shall not be deemed to satisfy the Authority's obligation to make payment to the issuer of such Financing Facility for or in respect of such Bonds.

#### Section 1202. Unclaimed Funds.

Anything in the Indenture to the contrary notwithstanding, any moneys which are held by any Fiduciary in trust for the payment of the principal of, redemption premium, if any, and interest on any of the Bonds which remain unclaimed for one year after the date when such Bonds have become due and payable if such moneys were held by the Fiduciary at such date, or for one year after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds shall become due and payable, such moneys shall, at the written request of the Authority, be repaid to the Authority by such Fiduciary as its absolute property and such moneys shall be free from the trusts created by the terms of the Indenture. The Fiduciary shall thereupon be released and discharged with respect to such moneys and the Bondholders shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee, shall, at the expense of the Authority, cause to be published at least twice, at an interval of not less than seven days between publications, in the authorized Newspapers of the Authority, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

#### ARTICLE XII Miscellaneous

#### Section 1201. Defeasance.

(1) If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds of a particular Series, or any maturity within a Series, the principal of, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then (a) the pledge of any Revenues, and other moneys and securities which are pledged to the Holders of such Series, or maturity within a Series, under the terms of the Indenture, (b) all covenants, agreements and other obligations of the Authority and (c) the lien, benefit and security under the Indenture, shall thereupon cease, terminate and become void and shall be discharged and satisfied. In such event, the Trustee shall cause a statement to be prepared and filed with the Authority for such period or periods as shall be requested by the Authority, and, upon the request of the Authority, the Trustee shall execute and deli all such instruments as may be desirable to evidence such discharge and satisfaction, and upon payment of all fees and expenses which are due and owing to the Trustee, and any Paying Agent, the Trustee and any Paying Agent shall pay over or deliver to the Authority all moneys or securities which are held by them pursuant to the terms of the Indenture which are not required for the payment of the principal of, redemption premium, if any, and interest which is due or which is to become due on the Bonds of such Series, or maturity within such Series.

(2) All Bonds of any Series, or any maturity within a Series, for the payment or redemption of which moneys shall have been set aside and shall be held in trust shall be deemed to have been paid within the meaning and with the effect expressed in subparagraph (1) of this Section. All Outstanding Bonds of such Series, or of any maturity within such Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subparagraph (1) of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee (in a form which is satisfactory to the Trustee) irrevocable written instructions to publish notice of redemption of such Bonds on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations (which are not redeemable at the option of the issuer) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, which have been deposited with the Trustee at the same time shall be sufficient to pay when due the principal of redemption premium, if any, and the interest which is due and which is to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee (in a form which is satisfactory to the Trustee) irrevocable written instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by clause (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the terms of this Section and such notice shall state such maturity or redemption date upon which moneys are to be available for the payment of the principal of, redemption premium, if any, and interest on said Bonds. To the extent that the moneys or the principal of and interest on the Investment

#### Section 1203. Evidence of Signatures of Bondholders and Ownership of Bonds.

Any request, consent or other instrument which the Indenture may require or may permit to be signed and executed by the bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of (1) the execution of any such instrument, or of an instrument appointing any such attorney, or (2) the holding by any person of the bonds shall be sufficient for any purpose of the Indenture (except as otherwise expressly provided herein) if made in the following manner, but the Trustee may nevertheless in its sole discretion require further or other proof in cases where it deems the same to be desirable:

(a) The fact and date of the execution by any Bondholder or by his attorney of such instrument may be provided by the certificate (which need not be acknowledged or verified) of an officer of a bank, trust company, national banking association or other banking institution (which is satisfactory to the Trustee) or of any notary public or other officer which is authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledges to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The Authority or the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary; and

(b) The ownership of Bonds which are registered and the amount, numbers and other identification and date of holding the same shall be provided by the registration books of the Authority which shall be kept and maintained on behalf of the Authority by the Registrar. Any request or consent by the owner of any Bonds shall bind all future owners of such Bonds with respect to anything done or suffered to be done.

#### Section 1204. Execution of Payment Documents.

Every requisition, certificate or request of the Authority which is to be delivered to or filed with the Trustee, or the Remarketing Agent, Paying Agent, Registrar or Tender Agent with respect to Variable Rate Bonds, under the provisions of the Indenture shall be signed by an Authority Officer.

#### Section 1205. Preservation and Inspection of Documents.

All requisitions, requests, certificates, opinions and other documents which are received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the Accountant, any Bondholder and their agents and their representatives, any of whom may make copies thereof but any such reports, certificates, statements or other documents may, at the election of the Trustee, be destroyed or otherwise disposed of at any time which is at least six years after such date as the pledge of the Revenues created by the Indenture shall be discharged as provided in Section 1201 hereof.

Section 1206. Regulations Regarding Investment of Funds.

(a) Obligations which are purchased as an investment of moneys in any fund which has been established under the terms of the Indenture shall be deemed at all times to be a part of such fund, and, except as may be otherwise expressly provided in other Sections of the Indenture (or in any Supplemental Indenture), the interest thereon and any profit arising on the sale thereof shall be credited to such fund, and any loss resulting from the sale thereof shall be charged to such fund.

(b) A valuation of each Fund established and created under the terms of the Indenture, including all Investment Obligations therein, shall be made by the Trustee annually. The obligation of such annual valuation shall be satisfied by the Trustee providing the Authority monthly statements of account regarding each of the Funds and Accounts held by the Trustee.

(c) In computing the amount in any such fund for any purpose hereunder, obligations so purchased if due within one year after such date shall be valued at the face value (exclusive of accrued interest) or, if not due within one year after such date shall be valued at the lower of cost or market price thereof (exclusive of accrued interest) and may be so valued as of any time within four days prior to such date. The Trustee shall sell any obligations which are so purchased (at the best available price) whenever it shall be necessary to do so in order to provide moneys to make any withdrawal or payment from such fund, and the Trustee shall not be liable to responsible for any loss which results from any such investment which is made in accordance with the terms of the Indenture. for the purposes of any such investment, obligations shall be deemed to mature at the earliest date on which the issuer thereof is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligations.

Section 1207. Form of Bonds, Certificate of Authentication.

Subject to the provisions of the Indenture and any Supplemental Indenture, the forms of any Series of the Bonds, the certificate of authentication to be executed by the Trustee or the Registrar, as the case may be and the provisions for registration to be endorsed thereon shall be, respectively, in substantially the following forms, with such omissions, insertions, endorsements and variations as to redemption or other provisions or as to recitals of fact as may be required by the circumstances and as may be required or permitted by the terms of the Indenture or as may be consistent with the terms of the Indenture and which are necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto:

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This Bond is a direct and special obligation of the Authority and is payable from the Trust Estate, as such term is defined in the Indenture; provided however, that the power and obligation of the Authority to cause application of the Revenues, as such term is defined in the Indenture and other funds to the payment of the principal of, redemption premium, if any, and the interest on the Bonds is subject to the terms of the Indenture.

Pursuant to the terms of the Indenture, the Authority may hereafter issue additional Bonds (hereinafter called "Additional Bonds") for the purposes, in the amounts and on the conditions set forth in the Indenture. All Bonds which are issued and which are to be issued under the terms of the Indenture, including all Additional Bonds, are and will be equally secured by the pledge of the funds and revenues provided in the Indenture except as otherwise expressly provided in or pursuant to the terms of the Indenture.

Reference to the Indenture and any and all indentures supplemental thereto and any modifications and amendments thereof and to the Act is made for a description of the nature and extent of the security for the Bonds, the funds or revenues pledged for the payment thereof, the nature, manner and extent of the enforcement of such pledge, the rights and remedies of the Holders of the Bonds with respect thereto, the terms and conditions upon which the Bonds are issued and upon which they may be issued thereunder, and a statement of the rights, duties, immunities and obligations of the Authority and of the Trustee.

To the extent and in the respects permitted by the Indenture, the provisions of the Indenture or any indenture amendatory thereof or supplemental thereto may be modified or amended by action taken on behalf of the Authority in the manner and subject to the conditions and exceptions which are set forth in the Indenture. The pledge of the revenues and other obligations of the Authority under the terms of the Indenture may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Indenture.

This Bond is transferable, as provided in the Indenture, only upon the registration books of the Authority which are kept and maintained for that purpose at the principal corporate trust office of \_\_\_\_\_ (the "Registrar"), as registrar under the Indenture, or its successor as Registrar, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer which is satisfactory to the Registrar and which is duly executed by the registered owner or by such duly authorized attorney, together with the required signature guarantee, and thereupon the Authority shall issue in the name of the transferee a new registered Bond or Bonds, of the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered Bond as provided in the Indenture, upon payment of the charges therein prescribed. The Authority, the Trustee, the Registrar and any Paying Agent of the Authority may treat and consider the person in whose name this Bond is registered as the Holder and absolute owner of this Bond for the purpose of receiving payment of the principal of, redemption premium, if any, and interest due thereon and for all other purposes whatsoever.

The Bonds maturing on or after \_\_\_\_\_, are subject to redemption at the option of the Authority prior to maturity, upon the provision of notice as set forth below, as a

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(FORM OF BOND)

HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,  
SERIES \_\_\_\_\_

\$ \_\_\_\_\_ No. R- \_\_\_\_\_

INTEREST RATE PER ANNUM	DATED DATE	MATURITY DATE	DATE OF AUTHENTICATION	CUSIP NUMBER
-------------------------------	---------------	------------------	---------------------------	-----------------

The HOBOKEN MUNICIPAL HOSPITAL AUTHORITY (hereinafter called the "Authority"), a public body corporate and politic organized and existing under and by virtue of the laws of the State of New Jersey, acknowledges itself indebted and for value received hereby promises to pay to \_\_\_\_\_ or registered assigns, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), on the MATURITY DATE stated above or on the date fixed for redemption, as the case may be, together with interest on such principal sum from the date of this bond until the Authority's obligation with respect to the payment of such principal sum shall be discharged, at the INTEREST RATE PER ANNUM stated above on \_\_\_\_\_, 200\_, and semiannually thereafter on the \_\_\_ days of \_\_\_\_\_ and \_\_\_\_\_. This bond, as to principal and redemption premium, if any, when due, will be payable at the principal corporate trust office of \_\_\_\_\_ (the "Trustee") Interest on this Bond will be payable by check and will be mailed to the registered owner hereof who shall appear on the registration books of the Authority which shall be kept and maintained by the Registrar hereinafter mentioned, as determined on the \_\_\_ day of \_\_\_\_\_ and \_\_\_\_\_ (the "Record Date"). Payment of the principal of, redemption premium, if any, and interest on this Bond shall be made in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

[INSERT PROVISIONS FOR VARIABLE RATE BONDS IF APPLICABLE]

This Bond is one of the duly authorized issue of revenue bonds, each designed as "City Guaranteed Hospital Revenue Bond, Series \_\_\_\_\_ [INSERT ADDITIONAL DESIGNATION, IF ANY]" (the "Bond" or "Bonds") of the Authority, limited to the aggregate principal amount of \$ \_\_\_\_\_, and authorized and issued under and pursuant to the Hospital Authorities Law of New Jersey, constituting Chapter 46 of the Pamphlet Laws of 2006, of the State of New Jersey, and the acts amendatory thereof and supplemental thereto (hereinafter called the "Act"), and under an in accordance with an Indenture of Trust, dated as of February 1, 2007, between the Authority and the Trustee, as amended and supplemented by a \_\_\_\_\_ Supplemental Indenture, dated as of \_\_\_\_\_, 20\_\_\_\_ (hereinafter collectively called the "Indenture"). Copies of the Indenture are on file in the office of the Authority in Hoboken, New Jersey and at the principal corporate trust office of the Trustee.

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whole at any time or in part on any Interest Payment Date, in such order of maturity as selected by the Authority and by lot within any maturity, on and after July 1, 20\_\_\_\_, at a price equal to the redemption price, if redeemed in any periods shown in the following table, expressed as a percentage of such principal amount of Bonds to be redeemed, set opposite such period and applicable upon such redemption, together with interest accrued thereon to the redemption date:

Period (Both Dates Inclusive)	Redemption Price
----------------------------------	------------------

[The Bonds which mature on \_\_\_\_\_, are subject to mandatory redemption prior to maturity, in part, upon published notice as set forth below, by operation of the Sinking Fund Installments established and created under the Indenture, upon the terms and conditions and on the dates and in the amounts which are set forth in the Indenture, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.]

[Additional redemptions to be added, as provided in applicable Series Resolution.]

A notice of redemption will be published at least once in a newspaper which is printed in the English language and published and of general circulation in the County of Hudson, New Jersey or in the Borough of Manhattan, City and State of New York, and otherwise as provided in the Indenture, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, all in the manner and upon the terms and conditions set forth in the Indenture. A copy of such notice of redemption shall also be mailed, not less than twenty-five (25) days prior to the redemption date, to the registered owner hereof, in accordance with the provisions of the Indenture. If notice of redemption shall have been provided as aforesaid, the Bonds which are specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the redemption price of all of the Bonds which are to be redeemed, together with interest accrued thereon to the redemption date, shall be available for such payment on said date, then from and after the redemption date, interest on such Bonds shall cease to accrue and become payable to the Holders who are entitled to receive payment thereof upon such redemption.

THE ACT PROVIDES THAT NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS BY REASON OF THE INSURANCE THEREOF.

THE BONDS ARE NOT AND SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY OR OF ANY COUNTY OR ANY MUNICIPALITY (EXCEPT THE CITY, TO THE EXTENT OF THE CITY GUARANTY), AND DO NOT AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS,

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LIABILITY OR OBLIGATION OF SAID STATE, OR OF ANY COUNTY OR ANY MUNICIPALITY (EXCEPT THE CITY, TO THE EXTENT OF THE CITY GUARANTY), EITHER LEGAL, MORAL OR OTHERWISE.

It is hereby certified and recited that all conditions, acts and things which are required by the Constitution or by the statutes of the State of New Jersey or by the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this Bond exist, have happened and have been performed and that the Bonds, together with all other indebtedness of the Authority, are within every debt and other limit prescribed by said Constitution or statutes.

This Bond shall not be entitled to any security or benefit under the terms of the Indenture or be valid or obligatory for any purpose unless the certificate of authentication has been duly executed by the Trustee upon original issuance and thereafter by the Registrar.

IN WITNESS WHEREOF, the HOBOKEN MUNICIPAL HOSPITAL AUTHORITY has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chairman, Vice Chairman or Executive Director, and its corporate seal to be affixed, impressed or reproduced hereon, and this Bond and such seal to be attested by the manual or facsimile signature of its Secretary/Treasurer or Assistant Secretary, all as of the DATED DATE set forth above.

ATTEST: HOBOKEN MUNUCIPAL  
HOSPITAL AUTHORITY

Secretary By: Chairman

[SEAL]

[GUARANTY OF THE CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY

The payment of the principal of and interest on the within instrument is hereby fully and unconditionally guaranteed by the City of Hoboken, in the County of Hudson, New Jersey, and the City is unconditionally liable for the payment, when due, of the principal of and interest on this instrument.

IN WITNESS WHEREOF, the City of Hoboken, in the County of Hudson, New Jersey, has caused this Guaranty to be executed by the manual or facsimile signature of its Mayor.

CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY

Mayor

[FORM OF CERTIFICATE OF AUTHENTICATION ON BOND]

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds described in the within-mentioned Indenture and is one of the "City of Hoboken Guaranteed Hospital Revenue Bonds, Series \_\_\_\_" of the Hoboken Municipal Hospital Authority.

as Trustee or as Registrar

By: Authorized Signature By: Authorized Signature

[FORM OF ASSIGNMENT ON BACK OF BOND]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto [PLEASE PRINT OR TYPE NAME, ADDRESS AND TAXPAYER IDENTIFICATION NO. OF ASSIGNEE] the within Bonds and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, as Attorney, to transfer the within Bonds on the registration books of The Hoboken Municipal Hospital Authority, with full power of substitution and revocation.

NOTICE: The signature to this assignment must correspond with the name of the registered owner hereof as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: \_\_\_\_\_

SIGNATURE GUARANTEE:

(National Bank, trust company or commercial bank located in the City or State of New York, or the State of New Jersey, or any member of the New York Stock Exchange)


IN WITNESS WHEREOF, the parties hereto have caused this Indenture of Trust to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

**HOBOKEN MUNICIPAL HOSPITAL  
AUTHORITY**

[SEAL]

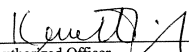
By:   
George W. Crimmins  
Executive Director

Attest:

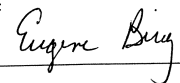
  
Camille Corea, Secretary

Commerce Bank, National Association, as Trustee

[SEAL]

By:   
Authorized Officer

Attest:



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Schedule A

**FORM OF REQUISITION FOR PAYMENT FROM CONSTRUCTION FUND**

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY  
HOSPITAL REVENUE BONDS**

TO: **COMMERCE BANK, NATIONAL ASSOCIATION, AS TRUSTEE (THE "TRUSTEE") UNDER THE INDENTURE OF TRUST DATED AS OF FEBRUARY 1, 2007 (THE "INDENTURE"), BETWEEN THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY (THE "AUTHORITY") AND THE TRUSTEE**

This requisition for payment is delivered to the Trustee in accordance with Article IV of the Indenture. Payment shall be made from the Construction Fund established in accordance with Article IV of the Indenture. All terms used herein which are not otherwise defined herein shall have the meanings given such terms in the Indenture.

- (1) Requisition Payment No.: \_\_\_\_\_
- (2) Amount of disbursement from the Construction Fund: \$ \_\_\_\_\_
- (3) Payment Instructions: Payments shall be made by the Trustee in accordance with Section 4 of the Indenture, as reflected in Schedule A attached hereto.

**HOBOKEN MUNICIPAL HOSPITAL  
AUTHORITY**

By: \_\_\_\_\_  
Authorized Officer

Dated: \_\_\_\_\_

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**FIRST SUPPLEMENTAL INDENTURE**

**Between**

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**

**And**

**COMMERCE BANK, NATIONAL ASSOCIATION, as Trustee**

**Dated as of February 1, 2007**

**Securing**

**CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,  
SERIES 2007A (FEDERALLY TAXABLE) (CONVERTIBLE TO TAX-EXEMPT)**

**and**

**CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,  
SERIES 2007B (FEDERALLY TAXABLE)**

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**FIRST SUPPLEMENTAL INDENTURE**

**Securing the**

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**

**CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,  
SERIES 2007A (FEDERALLY TAXABLE) (CONVERTIBLE TO TAX-EXEMPT)**

**and**

**CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,  
SERIES 2007B (FEDERALLY TAXABLE)**

**THIS FIRST SUPPLEMENTAL INDENTURE** dated as of February 1, 2007 (the “*First Supplemental Indenture*”) by and between the **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY** (the “*Authority*”), a public body corporate and politic of the State of New Jersey (the “*State*”), existing under and by virtue of the laws of the State, and in particular, the Municipal Hospital Authorities Law, N.J.S.A. 30:9-23.15 et seq., as may be amended and supplemented, and Commerce Bank, National Association, Cherry Hill, New Jersey, as trustee (together with its successors, the “*Trustee*”).

**WITNESSETH:**

**WHEREAS**, the Authority has been duly created by an ordinance duly adopted by the City Council of the City of Hoboken, in the County of Hudson, New Jersey (the “*City*”); and

**WHEREAS**, by a bond resolution entitled “RESOLUTION OF THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY AUTHORIZING THE ISSUANCE OF BONDS, NOTES OR OTHER OBLIGATIONS OF THE AUTHORITY TO FINANCE CERTAIN COSTS IN CONNECTION WITH THE ACQUISITION OF CERTAIN ASSETS RELATING TO ST. MARY HOSPITAL, THE OPERATION THEREOF AND THE CONSTRUCTION OF CERTAIN IMPROVEMENTS THERETO, AND FURTHER AUTHORIZING THE EXECUTION OF A TRUST INDENTURE TO SECURE SAME” adopted by the Authority on January 3, 2007 (the “*Bond Resolution*”), as amended and supplemented by the hereinafter defined 2007 Series Resolution, the Authority has heretofore determined to finance a project (the “*Initial Project*”), consisting of: (A) various capital improvements and the acquisition of fixed and major moveable equipment for hospital facilities located at 308 Willow Avenue, Hoboken, New Jersey (the “*Hospital*”), including but not limited to, the following: (i) renovation of patient rooms, (ii) construction of a new 20,000 square foot emergency department, (iii) renovations and expansion of labor and delivery suite, (iv) information system integration and backup capacity – tandem servers, (v) construction and acquisition of a low risk cardiac catheterization laboratory and equipment, and (vi) purchase of 64 Slice CT imaging equipment and other moveable medical equipment, (B) acquisition of land and a 25,565 square foot building located at 122-132 Clinton Street, Hoboken, New Jersey, to be used as a clinic, physician offices and training

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facility, (C) acquisition of land and a 5,300 square foot building located at 307 Willow Avenue, Hoboken, New Jersey, to be used as counseling and administrative offices to house a County and Federally grant funded AIDS program, (D) construction of leasehold improvements to the ground floor of the garage facility owned by the City of Hoboken located at 4<sup>th</sup> Street and Willow Avenue, Hoboken, New Jersey, to be used for hospital office facilities, (E) capitalized interest for the Initial Bonds (as defined in the Indenture), (F) initial start-up working capital and reserves for operation of the Hospital, (G) a deposit to a debt service reserve fund for the Initial Bonds, and (H) costs of issuing the Initial Bonds; and

**WHEREAS**, the Authority and the Trustee have heretofore entered into an Indenture of Trust dated as of February 1, 2007 (the “*Indenture*”) providing for the issuance by the Authority of certain bonds, notes and other obligations from time to time, including specifically the Initial Bonds; and

**WHEREAS**, the Authority intends to finance the costs of the Initial Project through the issuance of the Initial Bonds, which shall consist of the hereinafter-defined 2007A Bonds and 2007B Bonds (collectively, the “2007 Bonds”); and

**WHEREAS**, the 2007 Bonds will be parity Bonds under the Indenture and, as such, they will be equally secured (except as otherwise provided herein and in the Indenture), together with all other “Bonds” issued thereunder, by the Trust Estate, including without limitation the “Revenues” of the Authority; and

**WHEREAS**, pursuant to the provisions of the Act, specifically N.J.S.A. 30:9-23.21(c), the City is authorized to unconditionally guarantee the punctual payment of the principal of and the interest on any obligations issued by the Authority by ordinance duly adopted by the City Council in the manner provided in the Local Bond Law of the State of New Jersey (the “*Local Bond Law*”); and

**WHEREAS**, the Authority has made a detailed report dealing with the Initial Project and the 2007 Bonds (in the form of an application to the Local Finance Board), and has delivered a copy of such report to the City Council; and

**WHEREAS**, in order to provide inducement to the prospective purchasers of the 2007 Bonds to purchase same and in order to provide additional security to the holders thereof, in accordance with the terms of the Act and the Local Bond Law, on January 3, 2007 the City has finally adopted an ordinance (the “*Guaranty Ordinance*”) providing for the unconditional guaranty (the “*City Guaranty*”) by the City of the payment when due of the principal of and interest on the 2007 Bonds, and to implement said Guaranty Ordinance the City and the Authority and the Trustee will enter into a Guaranty Agreement dated as of February 1, 2007 relating to the 2007 Bonds (the “*Guaranty Agreement*”); and

**WHEREAS**, the principal of (including sinking fund installments, if any) and interest on the 2007 Bonds when due will also be insured by Financial Security Assurance Inc. a New York stock insurance company, or any successor thereto or assignee thereof (the “*Bond Insurer*”) in accordance with the terms of separate new issue municipal bond insurance policies; and

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**WHEREAS**, the Authority, the City and the Trustee have heretofore entered into a Continuing Disclosure Agreement dated as of February 1, 2007 (the “*Continuing Disclosure Agreement*”); and

**WHEREAS**, in order to market and sell the 2007 Bonds, (i) the Authority has heretofore prepared and caused to be circulated a Preliminary Official Statement (the “*POS*”) and will hereafter cause to be circulated a final Official Statement (the “*OS*”), (ii) the Authority will enter into a negotiated sale of the 2007 Bonds with NW Capital Markets Inc. (the “*Underwriter*”) pursuant to the terms of a bond purchase agreement (the “*BPA*”) and (iii) the City and the Authority shall take such other actions and shall authorize, execute or acknowledge, as the case may be, and deliver such other documents, instruments or certificates as bond counsel and financial advisor to the Authority deem necessary, convenient, useful or desirable in order to issue the 2007 Bonds (collectively, the “*Certificates*”, and together with the the Indenture, this First Supplemental Indenture, the Guaranty Agreement, the POS, the OS, the BPA and the Continuing Disclosure Agreement, the “*Financing Documents*”); and

**WHEREAS**, any of the Financing Documents may be combined into one or more documents as the Authority deems necessary, desirable, useful or convenient; and

**WHEREAS**, on January 24, 2007 the Authority adopted a resolution, constituting a “Series Resolution” (the “*2007 Series Resolution*”), authorizing certain actions and determining certain matters in connection with the sale of the 2007 Bonds upon the terms and conditions set forth herein;

**NOW, THEREFORE**, in consideration of the premises and certain other consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority covenants with the Trustee, for the equal and proportionate benefit of the respective Holders, from time to time, of the 2007 Bonds and all other Bonds issued under the Indenture, as follows:

**ARTICLE I**

**Definitions and Statutory Authority**

**SECTION 1.1. First Supplemental Indenture.**

This First Supplemental Indenture is executed and delivered for the purpose of issuing and securing the 2007 Bonds, in accordance with Article II and Article XII of the Indenture.

**SECTION 1.2. Definitions.**

All terms which are defined in Section 101 of the Indenture shall have the same meanings, respectively, in this First Supplemental Indenture as such terms are given in said Section 101 of the Indenture, except as herein provided.

In addition, the following terms shall have the meaning specified in this Section 1.2:

“*Bond Insurance Policy*” means the insurance policy or policies, as the case may be, issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the 2007 Bonds when due.

“*Bond Year*” shall mean means each twelve-month period commencing on July 1 of any calendar year and ending on June 30 of the immediately succeeding calendar year; provided, that the first Bond Year shall begin on the date of issuance of the 2007 Bonds.

“*Comparable Treasury Issue*” means the U.S. Treasury security selected by the Independent Banking Institution as having a maturity comparable to the remaining term to maturity of the 2007B Bond being redeemed and that would be utilized in accordance with customary financial practice in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the 2007B Bond to be redeemed.

“*Comparable Treasury Price*” means, with respect to any redemption date for a particular 2007B Bonds, (1) the average of five Reference Treasury Dealer quotations for such redemption date, after excluding the highest and lowest such quotations, or (2) if the Independent Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained.

“*Comparable Treasury Yield*” means the yield which represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15 (519) Selected Interest Rates” under the heading “Treasury Constant Maturities” or successor publication selected by the Independent Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that established yields on the actively traded U.S. Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the 2007B Bond being redeemed. The Comparable Treasury Yield shall be determined as of the third business day immediately

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preceding the applicable redemption date. If the H.15 (519) statistical release sets forth a weekly average yield for U.S. Treasury securities that have a constant maturity that is within three months of the remaining term to maturity of the 2007B Bond being redeemed, then the Comparable Treasury Yield shall be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield shall be calculated by interpolation on a straight-line basis, between the weekly average yields on the U.S. securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the 2007B Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the 2007B Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100<sup>th</sup> of 1% with any figure of 1/200<sup>th</sup> of 1% or above being rounded upwards.

If, and only if, weekly averages for U.S. Treasury securities for the preceding week are not available in the H.15 (519) statistical release or any successor publication, then the Comparable Treasury Yield shall be the rate of interest per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) as of redemption date.

“*Conversion Date*” shall mean, in the case of the 2007A Bonds, the first day of any month coincident with the issuance of a Favorable Tax Opinion, but no later than January 1, 2010.

“*Costs of Issuance*” shall mean all items of expense directly or indirectly payable by or reimbursable to the Authority and/or the City and related to the authorization, execution, sale and delivery of the 2007 Bonds, including, but not limited to fees and expenses payable to the Bond Insurer relating to the Bond Insurance Policy or the Debt Service Reserve Facility, if any, advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary and the Authority, the fees to be paid to the Underwriter and to financial advisors and accountants and for legal fees and disbursements of the City, the Authority, the Bond Insurer, any Fiduciary and the Underwriter and initial charges and all other initial fees and disbursements contemplated by the Financing Documents and the Local Finance Board Application relating to the 2007 Bonds.

“*Costs of Issuance Fund*” shall mean the fund by that name established by the Trustee pursuant to Section 501(4) of the Indenture and Section 2.8 hereof.

“*Counsel’s Opinion*” shall mean an opinion of nationally recognized bond counsel.

“*Debt Service Reserve Requirement*” shall mean, in the case of the 2007A Bonds, as of the date of calculation, an amount equal to the lesser of (i) the greatest amount required in the then current Bond Year to pay the sum of (a) interest on the 2007A Bonds on January 1 of such Bond Year and on July 1 of the next succeeding Bond Year (assuming for this purpose that the 2007A Bonds bear interest at the Tax Exempt Rates), and (b) the principal or Sinking Fund Installment, as the case may be, of the 2007A Bonds payable on July 1 of the next succeeding Bond Year; and (ii) ten percent (10%) of the “proceeds” of the 2007A Bonds, within the meaning of Section 148(d) of the Code. Notwithstanding anything to the contrary herein, not

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more than 10% of the proceeds of the 2007A Bonds can be used to satisfy the Debt Service Reserve Requirement for the 2007A Bonds.

“*Executive Director’s Certificate*” shall mean the certificate referred to in Section 2.1(a) hereof.

“*Favorable Tax Opinion*” shall mean a Counsel’s Opinion, dated the Conversion Date, to the effect that from and after such Conversion Date, interest on the 2007A Bonds is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in “adjusted current earnings” in computing alternative minimum taxable income for purposes of the alternative minimum tax imposed by the Code on certain corporations.

“*Initial Taxable Rates*” shall mean, as to each maturity of the 2007A Bonds, the respective rates applicable from and after the Issue Date and until the first Reset Date as listed on the table set forth in Section 2.2(a) hereof under the column entitled “Initial Taxable Rate”.

“*Independent Banking Institution*” shall mean an investment banking institution of national standing that is a primary U.S. government securities dealer in the City of New York, as designated by the Issuer.

“*Issue Date*” shall mean February 1, 2007.

“*Make-Whole Premium*” shall mean with respect to any 2007B Bond to be redeemed, an amount calculated by an Independent Banking Institution equal to the positive difference, if any, between:

(i) The sum of the present values, calculated as of the redemption date, of:

(A) Each interest payment that, but for the redemption, would have been payable on the 2007B Bond or portion thereof being redeemed on each regularly scheduled interest payment date occurring after the redemption date through the maturity date of such 2007B Bond (excluding any accrued interest for the period prior to the redemption date); provided, that if the redemption date is not a regularly scheduled interest payment date with respect to such 2007B Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such 2007B Bond to the redemption date; plus

(B) The principal amount that, but for such redemption, would have been on the maturity date of the 2007B bond or portion thereof being redeemed; minus

(ii) The principal amount of the 2007B Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in clause (i) above shall be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the redemption date

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on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Comparable Treasury Yield plus 15.0 basis points.

“*Manager’s Operating Account*” means the Commerce Bank, National Association operating account of Hudson Healthcare, Inc.

“*Reference Treasury Dealer*” means a primary U.S. Government securities dealer in the United States appointed by the Authority and reasonably acceptable to the Independent Banking Institution.

“*Reset Date*” shall mean, as to the 2007A Bonds, each of January 1, 2008, January 1 2009 and January 1, 2010, provided that the Conversion Date has not occurred.

“*Reset Taxable Rates*” shall mean, as to each maturity of the 2007A Bonds, the respective rates as listed on the table set forth in Section 2.2(a) hereof: (a) under the column entitled “2008 Reset Rate” for the period beginning on the first Reset Date (January 1, 2008), if the interest rate on the 2007A Bonds has not converted to the Tax Exempt Rates; (b) under the column entitled “2009 Reset Rate” for the period beginning on the second Reset Date (January 1, 2009), if the interest rate on the 2007A Bonds has not converted to the Tax Exempt Rate; and (c) under the column entitled “2010 Reset Rate” for the period beginning on the third Reset Date (January 1, 2010), if the interest rate on the 2007A Bonds has not converted to the Tax Exempt Rate. The Reset Taxable Rates shall be established seven (7) days prior to each Reset Date.

“*Tax Exempt Rates*” shall mean, as to each maturity of the 2007A Bonds, the respective rates applicable from and after the Conversion Date as listed on the table set forth in Section 2.2(a) hereof under the column entitled “Tax Exempt Rate”.

## ARTICLE II Terms and Conditions of the 2007 Bonds

### SECTION 2.1. Authorization and Sale of the Bonds.

(a) The Authority hereby authorizes the issuance of its 2007A Bonds in the aggregate principal amount of \$40,465,000, to be designated “City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A (Federally Taxable) (Convertible to Tax-Exempt)”, to be issued pursuant to and secured by the Indenture, including this First Supplemental Indenture, and the terms of a Series Resolution of the Authority complying with the terms of this First Supplemental Indenture and the parameters of the Local Finance Board Application (the “*Series Resolution*”).

(b) The 2007A Bonds are to be issued to provide funds to finance the portions of the Initial Project described in clauses (A), (B), (C), (D), (E) (portion allocable to the 2007A Bonds only), (G) and (H) (portion allocable to the 2007A Bonds only) of the definition thereof contained in the recitals hereof (collectively, the “*2007A Project*”).

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(c) The Authority hereby authorizes the issuance of its 2007B Bonds in the aggregate principal amount of \$11,170,000, to be designated “City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable)”, to be issued pursuant to and secured by the Indenture, including this First Supplemental Indenture and the terms of the Series Resolution.

(d) The 2007B Bonds are to be issued to provide funds to finance the portions of the Initial Project described in clauses (E) (portion allocable to the 2007B Bonds only), (F) and (H) (portion allocable to the 2007B Bonds only) of the definition thereof contained in the recitals hereto (collectively, the “*2007B Project*”).

### SECTION 2.2. Terms of the Bonds.

(a) The 2007A Bonds shall be dated February 1, 2007; shall bear interest from their date payable on July 1, 2007 and semi-annually thereafter, on January 1 and July 1 in each year until maturity or prior redemption; and shall be issued as in fully-registered form in denominations of \$5,000 each (or any integral multiple thereof). The 2007A Bonds shall be numbered RA-1 upwards and shall mature and shall be payable in annual principal installments on July 1 in the years and shall bear interest, as provided in paragraph (b) below, at the respective Initial Taxable Rates set forth below, the Reset Taxable Rates (as defined in Section 1.2 hereof) or the Tax-Exempt Rates set forth below:

Maturity Year	Principal Amount	Tax-Exempt Rate*	2008 Reset Rate	2009 Reset Rate	2010 Reset Rate
2010	\$1,850,000	3.90%	6.00%	6.09%	6.190%
2011	1,920,000	3.80	5.85	5.94	6.032
2012	1,995,000	3.85	5.92	6.02	6.111
2013	2,070,000	3.90	6.00	6.09	6.190
2014	2,155,000	3.95	6.08	6.17	6.270
2015	2,240,000	4.00	6.15	6.25	6.349
2016	2,325,000	4.05	6.23	6.33	6.429
2017	2,420,000	4.10	6.31	6.41	6.508
2018	2,520,000	4.15	6.38	6.48	6.587
2019	2,625,000	4.25	6.54	6.64	6.746
2020	2,735,000	4.35	6.69	6.80	6.905
2021	2,855,000	4.45	6.85	6.95	7.063
2022	2,980,000	4.50	6.92	7.03	7.143
2023	3,115,000	4.50	6.92	7.03	7.143
2024	3,255,000	4.55	7.00	7.11	7.222
2025	3,405,000	4.60	7.08	7.19	7.302

\* Upon Conversion.

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(b) The 2007A Bonds shall bear interest from the Issue Date to the earlier of the Conversion Date or the first Reset Date at the Initial Taxable Rates. The Initial Taxable Rate for the 2007A Bonds is 5.750%. The 2007A Bonds shall bear interest from the first Reset Date to the earlier of the Conversion Date or the second Reset Date at the Reset Taxable Rates described in clause (a) of the definition thereof contained in the recitals hereto. The 2007A Bonds shall bear interest from the second Reset Date to the earlier of the Conversion Date or the third Reset Date at the Reset Taxable Rates described in clause (b) of the definition thereof contained in the recitals hereto. The 2007A Bonds shall bear interest from the third Reset Date to maturity at the Reset Taxable Rates described in clause (c) of the definition thereof contained in the recitals hereto. From and after the Conversion Date, the 2007A Bonds shall bear interest at the Tax Exempt Rates. The Authority shall file a notice with the Trustee setting forth (i) not less than sixty (60) days prior to the Conversion Date, notice that such Conversion Date is expected to occur and the CUSIP Number which will be applicable to the 2007A Bonds from and after such Conversion Date and (ii) not less than six (6) days prior to each Reset Date (or the Conversion Date, as the case may be), the interest rate per annum to take effect with respect to the 2007A Bonds on such Reset Date or Conversion Date (and whether such interest rate is a Reset Taxable Rate or the Tax Exempt Rate); *provided, however*, that the failure of the Authority to file any such notice or any defect in any notice so provided shall not affect the conversion or resetting of the interest rate for the 2007A Bonds as set forth herein. The Trustee shall promptly mail a copy of each such notice received from the Authority pursuant to the preceding sentence to each Registered Owner of the 2007A Bonds at their addresses as they appear on the registration books maintained by the Registrar.

(c) The 2007B Bonds shall be dated February 1, 2007; shall bear interest from their date payable on July 1, 2007 and semi-annually thereafter, on January 1 and July 1 in each year until maturity or prior redemption; and shall be issued as in fully-registered form in denominations of \$5,000 each (or any integral multiple thereof). The 2007B Bonds shall be numbered RB-1 upwards and shall mature and shall be payable in annual principal installments on July 1 in the years and shall bear interest at the rates set forth below:

Maturity Year	Principal Amount	Interest Rate
2008	\$2,300,000	5.410%
2009	2,850,000	5.440
2026	6,020,000	5.816

#### SECTION 2.3. Place of Payment.

The principal of or Redemption Price of the 2007 Bonds shall be payable at the principal office of the Trustee in Cherry Hill, New Jersey. The interest on the 2007 Bonds is payable by check mailed to the Registered Owner thereof as of any Record Date or pursuant to the provisions of SECTION 2.6 hereof.

an amount equal to \$3,844,765.21, which represents capitalized interest on the 2007A Bonds estimated through January 1, 2009;

(ii) There shall be deposited in the Series 2007A Account of the Debt Service Reserve Fund an amount equal to \$3,564,275.00, which amount equals the Debt Service Reserve Fund Requirement in respect of the 2007A Bonds;

(iii) There shall be deposited in the Series 2007A Account of the Costs of Issuance Fund (established hereby) an amount equal to \$335,278.16, for application to the payment of Costs of Issuance incurred in connection with the issuance of the 2007A Bonds, (the Bond Insurance Premium payable to the Bond Insurer in the amount of \$343,140.38 having been paid directly by the Initial Purchaser to the Bond Insurer); and

(iv) There shall be deposited in the Initial Project Account of the Construction Fund an amount equal to \$32,094,286.25, to fund costs of the 2007A Project. Disbursements therefrom shall be made in accordance with the Indenture.

(b) The proceeds of the 2007B Bonds, in the amount of \$11,091,810.00 (par of \$11,170,000.00 less underwriter's discount of \$78,190.00), shall be applied simultaneously with the delivery of the 2007B Bonds as follows:

(i) There shall be deposited in the Capitalized Interest Subaccount of the Series 2007B Account of the Debt Service Fund an amount equal to \$894,505.30, which represents an amount which, together with certain anticipated investment income to be transferred thereto, represents capitalized interest on the 2007B Bonds estimated through January 1, 2009;

(ii) There shall be deposited in the Operating Fund an amount equal to \$5,000,000.00 for immediate transfer to the Manager's Operating Account;

(iii) There shall be deposited in the Operating Reserve Fund an amount equal to \$5,000,000.00, which amount equals the initial Operating Reserve Requirement under the Indenture; and

(iv) There shall be deposited in the Series 2007B Account of the Costs of Issuance Fund (established hereby) an amount equal to \$94,367.57, for application to the payment of Costs of Issuance incurred in connection with the issuance of the 2007B Bonds, (the Bond Insurance Policy premium payable to the

#### SECTION 2.4. Redemption.

##### (a) Optional Redemption of the 2007A Bonds.

The Series 2007A Bonds maturing on or after July 1, 2018 are subject to redemption at the option of the Authority prior to maturity, upon provision of notice as set forth in the Indenture, as a whole or in part at any time, in such order of maturity as selected by the Authority and by lot within a maturity, on and after July 1, 2017, at a Redemption Price equal to one hundred percent (100%) of the principal amount of Series 2007A Bonds to be redeemed, together with interest accrued to the redemption date.

##### (b) Optional Redemption of the 2007B Bonds.

The Series 2007B Bonds are subject to redemption at the option of the Authority prior to maturity, upon provision of notice as provided in the Indenture, as a whole or in part, at any time in such order of maturity as selected by the Authority and by lot within maturity at any time, at a Redemption Price equal to one hundred percent (100%) of the principal amount of Series 2007B Bonds to be redeemed plus the Make-Whole Premium, if any, together with interest accrued to the redemption date.

##### (c) Extraordinary Redemption.

Subject to the provisions of Section 610 of the Indenture, the 2007 Bonds are subject to redemption prior to maturity in whole or in part at any time, in such order of maturity as selected by the Authority, at a Redemption Price equal to one hundred percent (100%) of the principal amount to be redeemed together with interest accrued to the redemption date, from and to the extent of the property or title insurance proceeds, condemnation awards or proceeds of any conveyance in lieu of condemnation which are directed to be deposited in the Redemption Fund established pursuant to the Indenture and applied to such redemption pursuant to the Indenture in the event that the Hospital, or any part thereof, shall have been damaged, destroyed or condemned (or sold under the threat of condemnation) or subject to a title defect, all as more fully described in the Indenture.

##### (d) Notice of Redemption.

Notice of redemption shall be given as provided in Section 705 of the Indenture.

#### SECTION 2.5. Application of the Proceeds of the Bonds.

(a) The proceeds of sale of the 2007A Bonds, in the amount of \$40,181,745.00 (par of \$40,465,000.00 less underwriter's discount of \$283,255.00), shall be applied simultaneously with the delivery of the 2007A Bonds as follows:

(i) There shall be deposited in the Capitalized Interest Subaccount of the Series 2007A Account of the Debt Service Fund

Bond Insurer in the amount of \$102,937.13 having been paid directly by the Underwriter to the Bond Insurer).

#### SECTION 2.6. Book Entry Only System.

As provided in Section 309 of the Indenture, the registered Holder of all of the 2007 Bonds shall be, and the 2007 Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee of DTC. Payment of interest for any 2007 Bond shall be made by wire transfer of same day funds to the account of Cede on the Interest Payment Date for the 2007 Bonds at the address indicated for Cede in the registry books of the Authority kept by the Trustee. All other provisions contained in Section 309 shall be applicable to the 2007 Bonds.

#### SECTION 2.7. Form of 2007 Bonds and Trustee's Authentication Certificate.

Subject to the provisions of this First Supplemental Indenture, the 2007 Bonds and the Trustee's certificate of authentication shall be of substantially in the form as in Section 1207 of the Indenture.

#### SECTION 2.8. Establishment of Costs of Issuance Fund.

Pursuant to Section 501(4) of the Indenture, the Trustee is hereby directed to establish on behalf of the Authority a "Costs of Issuance Fund" in respect of the 2007 Bonds, within such fund a "Series 2007A Account" and a "Series 2007B Account". The Costs of Issuance Fund shall be subject to the pledge of the Indenture and shall be held by the Trustee separate and apart from other monies and securities held under the Indenture. Amounts deposited in the Costs of Issuance Fund pursuant to the terms of this First Supplemental Indenture, together with interest earned thereon, shall be held in trust by the Trustee prior to disbursement for the payment or reimbursement of Costs of Issuance upon presentation to the Trustee of a proper requisition of the Authority duly executed by an authorized officer of the Authority therefor. All income derived from the investment of monies in the Costs of Issuance Fund shall be held therein. Once all Costs of Issuance have been paid, as evidenced by a certificate of an authorized officer of the Authority, but no later than 180 days after the date hereof, any balance of monies on deposit therein shall be transferred by the Trustee to the Debt Service Fund, the Construction Fund or to such other Fund established pursuant to the Indenture as directed by an authorized officer of the Authority.

#### SECTION 2.9. Establishment of Account in Construction Fund; Application of Investment Earnings Thereof.

The Trustee is hereby directed to establish on behalf of the Authority within the Construction Fund, an Initial Project Account, into which shall be deposited a portion of the proceeds of the 2007A Bonds as provided in Section 2.5(a)(iv) hereof and which shall be used to



pay Costs of the 2007A Project. During the period prior to the delivery of a Completion Certificate with respect to the 2007A Project, interest earned on any investments in the 2007A Construction Account shall be retained in such Account.

**SECTION 2.10. Establishment of Accounts in Debt Service Fund and Debt Service Reserve Fund; Application of Investment Earnings Thereof**

(a) The Trustee is hereby directed to establish on behalf of the Authority within the Debt Service Fund, a Series 2007A Account and a Series 2007B Account, and within each such account a Capitalized Interest Subaccount, into which shall deposited a portion of the proceeds of the 2007A Bonds and 2007B Bonds, as provided in Sections 2.5(a)(i) and 2.5(b)(i) hereof. Said Series 2007A Account and Series 2007B Account shall be used to pay debt service on the 2007A Bonds and the 2007B Bonds, respectively. Interest earned on any investments in the Series 2007A Account (whether in respect of the Capitalized Interest Account or otherwise) shall be retained therein. Interest earned on any investments in the Series 2007B Account (whether in respect of the Capitalized Interest Account or otherwise) shall be retained therein.

(b) The Trustee is hereby directed to establish on behalf of the Authority within the Debt Service Reserve Fund, a Series 2007A Account, into which shall deposited a portion of the proceeds of the 2007A Bonds, in an amount equal to the Debt Service Reserve Fund Requirement for the 2007A Bonds, as provided in Section 2.5(a)(ii) hereof. During the period prior to the delivery of a Completion Certificate with respect to the 2007A Project, interest earned on any investments in the Series 2007A Account shall be paid over to the Authority for deposit into the Initial Project Account of the Construction Fund. Thereafter, interest earned on any investments in the Series 2007A Account shall be transferred to the Revenue Fund

**SECTION 2.11. Application of Investment Earnings of the Operating Fund and the Operating Reserve Fund.**

Interest earned on any investments in the Operating Fund and the Operating Reserve Fund shall, until January 1, 2009, be transferred to the Series 2007B Account of the Debt Service Fund. Thereafter, interest earned on any investments in the Series 2007A Account shall be applied as provided in Sections 506 and 508, respectively, of the Indenture.

**SECTION 2.12. Determination of Capital Replacement Requirement.**

Prior to January 1, 2008, the Capital Replacement Requirement shall be \$0. From and after January 1, 2008, the Capital Replacement Requirement shall be such as amount as set forth in the Authority's Annual Budget or as established by resolution.

**ARTICLE III  
Tax Compliance Provisions**

**SECTION 3.1. Compliance with the Internal Revenue Code of 1986, as amended.**

(a) Conditions to Issuance of Favorable Tax Opinion. Prior to the conversion of interest on the 2007A Bonds to the Tax Exempt Rates and the issuance of a Favorable Tax Opinion, the following conditions shall be satisfied:

(1) The Authority shall satisfy the requirements of Section 147(f) of the Code by approving the 2007A Bonds and the conversion of the interest rates thereon to the Tax Exempt Rates and have obtained approval thereof from the Mayor of the City of Hoboken, within one (1) year prior to the Conversion Date; and

(2) If the 2007A Bonds are to be treated as "qualified 501(c)(3) bonds" under the Code, then (unless specifically waived by bond counsel in its Favorable Tax Opinion),

(A) the Internal Revenue Service shall have issued a favorable determination letter with respect to the tax exempt status of Hudson Healthcare, Inc., or its successors as manager of the Hospital (the "Manager"), as a corporation described in Section 501(c)(3) of the Code; and

(B) The Authority shall receive an opinion letter from counsel to the Manager stating that the Manager has been determined to be and is exempt from Federal income taxes under Section 501(a) of the Code, by virtue of being an organization described in Section 501(c)(3) of the Code, except for unrelated business income subject to taxation under Section 511 of the Code, and is not a "private foundation" as defined in Section 509(a) of the Code and, to the best knowledge of such counsel after due inquiry of responsible officers of the Manager, the Manager has made all filings necessary to maintain its status as an exempt organization and has done nothing to impair its status as an exempt organization described in Section 501(c)(3) of the Code, and the projects refinanced with the proceeds of the 2007A Bonds will be, if used as described in the Financing Documents, used in furtherance of the Manager's exempt purpose under the Code and will not adversely impact the Manager's status as an organization described in Section 501(c)(3) of the Code; and

(C) Both the Authority and the Manager have provided such written certifications and covenants as may be required by bond counsel to the Authority.

(b) The Authority covenants to comply with the provisions of the Code applicable to the 2007A Bonds while they bear interest at the Tax Exempt Rates and covenants not to take any action that would cause the interest on any of the 2007A Bonds to lose the exclusion from gross income for federal income tax purposes provided under Section 103 of the Code. On and after the Conversion Date, the Authority will take all actions necessary to assure that interest on the

2007A Bonds does not lose the exclusion from gross income tax purposes provided under Section 103 of the Code. The Authority will, at all times while the 2007A Bonds remain outstanding and bear interest at the Tax Exempt Rates, comply, and (if the 2007A Bonds to be treated as "qualified 501(c)(3) bonds" under the Code) will cause the Manager to comply, with all of its covenants and representations contained in its tax certificates executed in connection with the 2007A Bonds, unless the Authority first obtains an opinion of nationally recognized bond counsel to the effect that failure to comply does not adversely affect the exclusion of interest on the 2007A Bonds from gross income for federal income tax purposes.

(c) The Authority shall not take any action or omit to take any action (or, if the 2007A Bonds to be treated as "qualified 501(c)(3) bonds" under the Code, permit the Manager to take any action or omit to take any action) that would cause the 2007A Bonds while they bear interest at the Tax Exempt Rates to be "private activity bonds" within the meaning of Section 141 (a) of the Code, other than "qualified 501(c)(3) bonds", within the meaning of Section 145(a) of the Code.

**SECTION 3.2. Establishment of Rebate Fund.**

The Trustee is hereby directed to establish after the Conversion Date on behalf of the Authority for the 2007A Bonds, a "Series 2007A Account" within the Rebate Fund established under the Indenture. All moneys which are subject to rebate to the United States Government pursuant to the provisions of the Code shall be deposited in said account within the Rebate Fund. Moneys which are on deposit in the Rebate Fund shall be invested by the Trustee in such Investment Obligations as may be directed by the Authority in accordance with the provisions of the Indenture; provided, however, that such investments shall mature in such amounts and at such times as will permit funds to be available when needed to make payments to the United States Government in accordance with the provisions of the Code. All income from such Investment Obligations shall be held within the Rebate Fund. All amounts in the Rebate Fund, including income earned from investment of the Rebate Fund, shall be held by the Trustee free and clear of the lien of this Indenture.

**ARTICLE IV  
Bond Insurance Provisions**

**SECTION 4.1 Provisions With Respect to the Bond Insurer and the Bond Insurance Policies.**

During the period that the Bond Insurance Policy is in effect, the following provisions shall be applicable to the 2007 Bonds, notwithstanding anything to the contrary set forth in the Indenture. Capitalized terms not otherwise defined herein shall have the meanings as defined in the Bond Insurer's Commitment dated January 22, 2007.

(a) The prior written consent of the Bond Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Fund, if any. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service due on the 2007 Bonds.

(b) The Bond Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the 2007 Bonds insured by it are entitled to take pursuant to the article of the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. Remedies granted to the Bondholders shall expressly include mandamus.

(c) The security for the 2007 Bonds shall include a pledge of any agreement with any underlying obligor that is a source of payment for the 2007 Bonds and a default under any such agreement shall constitute an Event of Default under the Indenture.

(d) If acceleration is permitted under the Indenture, the maturity of 2007 Bonds insured by the Bond Insurer shall not be accelerated without the consent of the Bond Insurer and in the event the maturity of the 2007 Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Insurance Policy with respect to such 2007 Bonds shall be fully discharged.

(e) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Bond Insurer. No grace period shall be permitted for payment defaults.

(f) The Bond Insurer shall be included as a third party beneficiary to the Indenture.

(g) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of 2007 Bonds to be redeemed shall be subject to the approval of the Bond Insurer. The exercise of any provision of the Indenture which permits the purchase

of 2007 Bonds in lieu of redemption shall require the prior written approval of the Bond Insurer if any 2007 Bond so purchased is not cancelled upon purchase.

(h) Any amendment, supplement, modification to, or waiver of, the Indenture, the Guaranty Agreement, or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Bondholders or adversely affects the rights and interests of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer.

(i) Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Construction Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the 2007 Bonds.

(j) The rights granted to the Bond Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of the Bond Insurer.

(k) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasures"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasures held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasures are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Bond Insurer, securities eligible for "AAA" defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the 2007 Bonds unless the Bond Insurer otherwise approves.

To accomplish defeasance, the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the 2007 Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the 2007 Bonds are no longer "Outstanding" under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the 2007 Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority, Trustee and Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

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2007 Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

(l) Amounts paid by the Bond Insurer under the Insurance Policy shall not be deemed paid for purposes of the Indenture and the 2007 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

(m) Each of the Authority and Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.

(n) Claims Upon the Insurance Policy and Payments by and to the Bond Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the 2007 Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Bond Insurer's Fiscal Agent") by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the 2007 Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the 2007 Bonds and the amount required to pay principal of the 2007 Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Trustee shall designate any portion of payment of principal on 2007 Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of 2007 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Authority on any Bond or the subrogation rights of the Bond Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any 2007 Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

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Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the 2007 Bonds under the sections hereof regarding payment of 2007 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Authority agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Insurance Policy (the "Bond Insurer Advances"); and (ii) interest on such Bond Insurer Advances from the date paid by the Bond Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, the "Bond Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the 2007 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority hereby covenants and agrees that the Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate and payable from such Trust Estate on a parity with debt service due on the 2007 Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Bond Insurer.

(o) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the 2007 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Authority to the Bond Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(p) The Authority shall pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses that the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Bond Insurer to honor its obligations under the Insurance Policy. The Bond Insurer

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reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

(q) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the 2007 Bonds and amounts required to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(r) The Bond Insurer shall be entitled to pay principal or interest on the 2007 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy) and any amounts due on the 2007 Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

The notice address of the Bond Insurer is: Financial Security Assurance Inc., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy No. , Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(s) Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Indenture, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Debt Service Reserve Fund is fully funded at the Debt Service Reserve Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Bond Insurer.

(t) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the 2007 Bonds or the rights of the Bondholders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

(u) No contract shall be entered into or any action taken by which the rights of the Bond Insurer or security for or sources of payment of the 2007 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

(v) If the 2007 Bonds are issued for refunding purposes, there shall be delivered an opinion of Bond Counsel addressed to the Bond Insurer (or a reliance letter relating thereto), or a certificate of discharge of the trustee for the Refunded Bonds, to the effect that, upon the making of the required deposit to the escrow, the legal defeasance of the Refunded Bonds shall have occurred. If the Refunded Bonds are FSA-insured, at least three business days prior to the proposed date for delivery of the Policy with respect to the Refunding Bonds, the Bond Insurer shall also receive (i) the verification letter, of which Financial Security shall be an addressee, by

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an independent firm of certified public accountants which is either nationally recognized or otherwise acceptable to the Bond Insurer, of the adequacy of the escrow established to provide for the payment of the Refunded Bonds in accordance with the terms and provisions of the Escrow Deposit Agreement, and (ii) the form of an opinion of Bond Counsel addressed to the Bond Insurer (or a reliance letter relating thereto) to the effect that the Escrow Deposit Agreement is a valid and binding obligation of the parties thereto, enforceable in accordance with its terms (such Escrow Deposit Agreement shall provide that no amendments are permitted without the prior written consent of the Bond Insurer). An executed copy of each of such opinion and reliance letter, if applicable, or Trustee's discharge certificate, as the case may be, shall be forwarded to the Bond Insurer prior to delivery of the 2007 Bonds.

#### SECTION 4.2 Information to be Provided to the Bond Insurer.

The Bond Insurer shall be provided with the following information by the Authority or Trustee, as the case may be:

- (i) Annual audited financial statements of the Authority within 150 days after the end of the Authority's (together with a certification that there is no default or Event of Default under the Indenture or the Guaranty) and the Authority's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Bond Insurer shall reasonably request from time to time;
- (ii) Annual audited financial statements of the City within 270 days after the end of the City's fiscal year (together with a certification that there is no default or Event of Default under the Indenture or the Guaranty) and the City's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Bond Insurer shall reasonably request from time to time;
- (iii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of 2007 Bonds;
- (iv) Notice of any default known to the Trustee or Authority within five Business Days after knowledge thereof;
- (v) Prior notice of the advance refunding or redemption of any of the 2007 Bonds, including the principal amount, maturities and CUSIP numbers thereof;
- (vi) Notice of the resignation or removal of the Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

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- (vii) Notice of the commencement of any proceeding by or against the Authority, the Manager or the City commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
- (viii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the 2007 Bonds;
- (ix) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and
- (x) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents.

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#### ARTICLE V Miscellaneous

##### SECTION 5.1. Execution in Counterparts.

This First Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

##### SECTION 5.2. Effective Date.


This First Supplemental Indenture shall be effective immediately.

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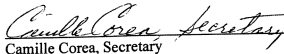
IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

#### HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

[SEAL]

By:   
George W. Crimmins, Executive Director

Attest:

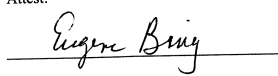
  
Camille Corea, Secretary

#### COMMERCE BANK, NATIONAL ASSOCIATION, as Trustee

[SEAL]

By:   
Authorized Officer

Attest:

  
Eugene Bing

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SECOND SUPPLEMENTAL INDENTURE

Between

HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

And

COMMERCE BANK, NATIONAL ASSOCIATION, as Trustee

Dated as of August 1, 2007

SECOND SUPPLEMENTAL INDENTURE

Securing the

HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,  
SERIES 2007A (FEDERALLY TAXABLE) (CONVERTIBLE TO TAX-EXEMPT)

and

CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,  
SERIES 2007B (FEDERALLY TAXABLE)

THIS SECOND SUPPLEMENTAL INDENTURE dated as of August 1, 2007 (the "First Supplemental Indenture") by and between the HOBOKEN MUNICIPAL HOSPITAL AUTHORITY (the "Authority"), a public body corporate and politic of the State of New Jersey (the "State"), existing under and by virtue of the laws of the State, and in particular, the Municipal Hospital Authorities Law, N.J.S.A. 30:9-23.15 et seq., as may be amended and supplemented, and Commerce Bank, National Association, Cherry Hill, New Jersey, as trustee (together with its successors, the "Trustee"). Capitalized terms used herein and not defined shall have the meanings set forth in the Indenture (as defined below).

WITNESSETH:

WHEREAS, the Authority has been duly created by an ordinance duly adopted by the City Council of the City of Hoboken, in the County of Hudson, New Jersey (the "City"); and

WHEREAS, on January 3, 2007, the Authority has heretofore adopted a bond resolution entitled "RESOLUTION OF THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY AUTHORIZING THE ISSUANCE OF BONDS, NOTES OR OTHER OBLIGATIONS OF THE AUTHORITY TO FINANCE CERTAIN COSTS IN CONNECTION WITH THE ACQUISITION OF CERTAIN ASSETS RELATING TO ST. MARY HOSPITAL, THE OPERATION THEREOF AND THE CONSTRUCTION OF CERTAIN IMPROVEMENTS THERETO, AND FURTHER AUTHORIZING THE EXECUTION OF A TRUST INDENTURE TO SECURE SAME" adopted by the Authority (the "Bond Resolution"), as amended and supplemented; and

WHEREAS, the Authority and the Trustee have heretofore entered into an Indenture of Trust dated as of February 1, 2007 (the "Indenture") providing for the issuance by the Authority of certain bonds, notes and other obligations from time to time; and

WHEREAS, pursuant to a First Supplemental Indenture dated as of February 1, 2007, the Authority has issued its \$40,465,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A and its \$11,170,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series

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2007B (Federally Taxable)" (collectively, the "2007 Bonds") to finance the costs of the Initial Project; and

WHEREAS, Section 501 of the Indenture established a Revenue Fund, into which all Revenues are to be deposited, with monthly transfers therefrom on the first Business Day of each month to various other funds and accounts established under the Indenture; and

WHEREAS, in order to provide for the orderly operation of the Hospital and the payment of expenses, the Authority wishes to amend the dates on which moneys are transferred from the Revenue Fund; and

WHEREAS, Sections 804 and 1013 of the Indenture and Section 4.1(b) of the First Supplemental Indenture provides that the Bond Insurer shall be deemed to be the sole Holder of the Bonds for purposes of consenting to any amendments or supplements under Article VIII of the Indenture

NOW, THEREFORE, in consideration of the premises and certain other consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority covenants with the Trustee, for the equal and proportionate benefit of the respective Holders, from time to time, of the 2007 Bonds and all other Bonds issued under the Indenture, as follows:

Section 1. Amendment to Section 504 of the Indenture.

The introductory phrase of Section 504 of the Indenture which currently reads "On the 1<sup>st</sup> Business Day of each month" is hereby amended to read "Two Business Days prior to the 1<sup>st</sup> Business Day of each month."

Section 2. Prior Supplemental Indentures. Except as amended hereby, all provisions of the Indenture and any Supplemental Indenture shall remain in full force and effect. All other prior indentures of the Authority or any portions thereof to the extent inconsistent herewith are hereby repealed.

Section 3. Additional Actions. The Trustee, any authorized officers of the Authority and the Authority's bond counsel and financial advisor are hereby authorized and directed to prepare, execute and/or deliver such other documents, instruments, certificates and opinions and to take such other action as may be necessary, required or appropriate in order to effectuate the intent of this Second Supplemental Indenture, including, but not limited to, identifying any Holders of the Bonds, and providing notices to and communicating with Holders of the Bonds, the issuer of any Credit Facility, the Bond Insurer and rating agencies.

Section 4. Effectiveness. This Second Supplemental Indenture shall take effect immediately provided the consent of the issuer of any Financing Facility or Bond Insurer is obtained.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

HOBOKEN MUNICIPAL HOSPITAL  
AUTHORITY

[SEAL]

By: \_\_\_\_\_  
George W. Crimmins, Executive Director

Attest:

\_\_\_\_\_  
Camille Corea, Secretary

COMMERCE BANK, NATIONAL  
ASSOCIATION, as Trustee

[SEAL]

By: \_\_\_\_\_  
Authorized Officer

Attest:

\_\_\_\_\_

**THIRD SUPPLEMENTAL INDENTURE**

**Between**

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**

**And**

**COMMERCE BANK, NATIONAL ASSOCIATION, as Trustee**

**Dated as of March 1, 2008**

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**THIRD SUPPLEMENTAL INDENTURE**

**Securing the**

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**

**CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,  
SERIES 2007A (FEDERALLY TAXABLE) (CONVERTIBLE TO TAX-EXEMPT)**

**and**

**CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,  
SERIES 2007B (FEDERALLY TAXABLE)**

**THIS THIRD SUPPLEMENTAL INDENTURE** dated as of March 1, 2008 (the "*Third Supplemental Indenture*") by and between the **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY** (the "*Authority*"), a public body corporate and politic of the State of New Jersey (the "*State*"), existing under and by virtue of the laws of the State, and in particular, the Municipal Hospital Authorities Law, N.J.S.A. 30:9-23.15 et seq., as may be amended and supplemented, and **COMMERCE BANK, NATIONAL ASSOCIATION**, Cherry Hill, New Jersey, as trustee (together with its successors, the "*Trustee*"). Capitalized terms used herein and not defined shall have the meanings set forth in the Indenture (as defined below).

**WITNESSETH:**

**WHEREAS**, the Authority and the Trustee have heretofore entered into an Indenture of Trust dated as of February 1, 2007 (the "*Indenture*") providing for the issuance by the Authority of certain bonds, notes and other obligations from time to time; and

**WHEREAS**, pursuant to a First Supplemental Indenture dated as of February 1, 2007 (the "First Supplemental Indenture"), the Authority has issued its \$40,465,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A and its \$11,170,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable)" (collectively, the "2007 Bonds") to finance the costs of the Initial Project; and

**WHEREAS**, Section 501 of the Indenture established and created a Debt Service Reserve Fund in order to provide added security to Bondholders, the required funding of which was to be established by Supplemental Indenture prior to the issuance of any Series of Bonds;

**WHEREAS**, the First Supplemental Indenture established the funding requirement for the Debt Service Reserve Fund for the 2007 Bonds pursuant to the definition set forth in Section 1.2 thereof of "Debt Service Reserve Requirement"; and

**WHEREAS**, a scrivener's error has been discovered in the definition of "Debt Service Reserve Requirement" set forth in Section 1.2 of the First Supplemental Indenture and the Authority has been advised by bond counsel to correct such error; and

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**WHEREAS**, Section 501 of the Indenture further established and created an Operating Reserve Fund, and pursuant to the definition set forth in Section 1.2 thereof established the "Operating Reserve Fund Requirement" as "an amount of money which is equal to \$5,000,000, or such greater amount as the Authority may determine in its sole discretion by Supplemental Indenture"; and;

**WHEREAS**, the Authority has further determined that it is in the best interest of the Authority to permit amounts greater than the Operating Reserve Fund Requirement to be deposited from time to time into the Operating Reserve Fund as the Authority deems prudent or advisable.

**NOW, THEREFORE**, in consideration of the premises and certain other consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority covenants with the Trustee, for the equal and proportionate benefit of the respective Holders, from time to time, of the 2007 Bonds and all other Bonds issued under the Indenture, as follows:

**Section 1. Amendment to Section 1.2 of the First Supplemental Indenture.**

The definition of "Debt Service Reserve Requirement" in Section 1.2 of the First Supplemental Indenture is hereby amended in its entirety to read as follows:

"*Debt Service Reserve Requirement*" shall mean, in the case of the 2007A Bonds, as of the date of calculation, an amount equal to the lesser of (i) the greatest amount required in the then current or any future Bond Year to pay the sum of (a) interest on the 2007A Bonds on January 1 of such Bond Year and on July 1 of the next succeeding Bond Year (assuming for this purpose that the 2007A Bonds bear interest at the Tax Exempt Rates), and (b) the principal or Sinking Fund Installment, as the case may be, of the 2007A Bonds payable on July 1 of the next succeeding Bond Year; and (ii) ten percent (10%) of the "proceeds" of the 2007A Bonds, within the meaning of Section 148(d) of the Code.

**Section 2. Amendment to Section 504 of the Trust Indenture.**

Clause Fourth of Section 504 of the Trust Indenture shall be amended to read as follows:

"To the Authority for deposit into the Operating Reserve Fund, an amount equal to 1/12 of the amount necessary, if any, to increase the amount which is on deposit in the Operating Reserve Fund such that the funds on deposit in the Operating Reserve Fund is equal to the Operating Reserve Fund Requirement (provided, however, that if any such deficiency shall be caused by reason of investment valuation losses rather than withdrawals, such account shall be replenished to the Operating Reserve Fund Requirement immediately instead of over twelve months), plus such additional amount(s) as the Authority may determine from time to time by resolution may be prudent or advisable;"

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Section 3. Prior Supplemental Indentures. Except as amended hereby, all provisions of the Indenture and any Supplemental Indenture shall remain in full force and effect. All other prior indentures of the Authority or any portions thereof to the extent inconsistent herewith are hereby repealed.

Section 4. Additional Actions. The Trustee, any authorized officers of the Authority and the Authority's bond counsel and financial advisor are hereby authorized and directed to prepare, execute and/or deliver such other documents, instruments, certificates and opinions and to take such other action as may be necessary, required or appropriate in order to effectuate the intent of this Third Supplemental Indenture, including, but not limited to, identifying any Holders of the Bonds, and providing notices to and communicating with Holders of the Bonds, the issuer of any Credit Facility, the Bond Insurer and rating agencies.

Section 5. Effectiveness. This Third Supplemental Indenture is authorized pursuant to Sections 802(7) and 803(1) of the Indenture and shall take effect as set forth in such sections. Execution by the Trustee of this Third Supplemental Indenture shall be deemed to be the consent by the Trustee pursuant to Section 803 of the Indenture and no further action or consent is required in order to effectuate the consent provisions of Section 803.

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IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

**HOBOKEN MUNICIPAL HOSPITAL  
AUTHORITY**

[SEAL]

By: \_\_\_\_\_  
George W. Crimmins, Executive Director

Attest:

\_\_\_\_\_  
Camille Corea, Secretary

**COMMERCE BANK, NATIONAL  
ASSOCIATION, as Trustee**

[SEAL]

By: \_\_\_\_\_  
Authorized Officer

Attest:

\_\_\_\_\_

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**FOURTH SUPPLEMENTAL INDENTURE**

Between

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**

And

**TD BANK, NATIONAL ASSOCIATION, as Trustee  
(successor to Commerce Bank, National Association)**

Dated as of \_\_\_\_ 1, 2008

Securing

**CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BOND,  
SERIES 2008 (FEDERALLY TAXABLE)**

**FOURTH SUPPLEMENTAL INDENTURE**

Securing the

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY  
CITY OF HOBOKEN GUARANTEED HOSPITAL REVENUE BONDS,  
SERIES 2008 (FEDERALLY TAXABLE)**

**THIS FOURTH SUPPLEMENTAL INDENTURE** dated as of \_\_\_\_\_, 2008 (the "*Fourth Supplemental Indenture* ") by and between the **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY** (the "*Authority*"), a public body corporate and politic of the State of New Jersey (the "*State*"), existing under and by virtue of the laws of the State, and in particular, the Municipal Hospital Authorities Law, N.J.S.A. 30:9-23.15 et seq., as may be amended and supplemented, and TD Bank, National Association, successor to Commerce Bank, National Association, Cherry Hill, New Jersey, as trustee (together with its successors, the "*Trustee*").

**WITNESSETH:**

**WHEREAS**, the Authority has been duly created by an ordinance duly adopted by the City Council of the City of Hoboken, in the County of Hudson, New Jersey (the "*Ord.*"); and

**WHEREAS**, pursuant to a Trust Indenture between the Authority and Commerce Bank, National Association (the "*Trustee*") (predecessor-in-interest to TD Bank, National Association), dated as of February 1, 2007, as supplemented by a First Supplemental Indenture, dated as of February 1, 2007 (collectively, the "**2007 Indenture**"), on February 1, 2007, the Authority issued, among other obligations, its \$11,170,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable) (the "2007B Bonds");

**WHEREAS**, pursuant to a bond resolution adopted by the Authority on April 30, 2008 entitled "RESOLUTION OF THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY AUTHORIZING THE ISSUANCE OF BONDS, NOTES OR OTHER OBLIGATIONS OF THE AUTHORITY TO REFUND BONDS OF THE AUTHORITY AND FINANCE CERTAIN COSTS IN CONNECTION WITH THE OPERATION OF HOBOKEN UNIVERSITY MEDICAL CENTER AND FURTHER AUTHORIZING THE EXECUTION OF A SUPPLEMENTAL INDENTURE TO SECURE SAME" (the "*Bond Resolution* "), the Authority has heretofore determined to finance a project (the "*Project* "), consisting of financing: (A) working capital and reserves for operation of Hoboken University Medical Center (the "Hospital"), (B) the refunding of the Authority's 2007B Bonds maturing on July 1, 2009 (the "Refunded 2007B Bonds") and (B) costs of issuing the 2008 Bond; and

**WHEREAS**, the Authority intends to finance the costs of the 2008 Project through the issuance of the 2008 Bond under the 2007 Indenture, as supplemented by this Fourth Supplemental Indenture (the "2007 Indenture, as supplemented, is referred to as the "**Indenture**"); and

WHEREAS, the 2008 Bond will be a parity Bond under the Indenture and, as such, it will be equally secured (except as otherwise provided herein and in the Indenture), together with all other "Bonds" issued thereunder, by the Trust Estate, including without limitation the "Revenues" of the Authority; and

WHEREAS, pursuant to the provisions of the Act, specifically N.J.S.A. 30:9-23.21(c), the City is authorized to unconditionally guarantee the punctual payment of the principal of and the interest on any obligations issued by the Authority by ordinance duly adopted by the City Council in the manner provided in the Local Bond Law of the State of New Jersey (the "*Local Bond Law*"); and

WHEREAS, the Authority has made a detailed report dealing with the 2008 Project and the 2008 Bond (in the form of an application to the Local Finance Board), and has delivered a copy of such report to the City Council; and

WHEREAS, in order to provide inducement to the prospective purchasers of the 2008 Bond to purchase same and in order to provide additional security to the holders thereof, in accordance with the terms of the Act and the Local Bond Law, on January 3, 2007 the City has finally adopted an ordinance (the "*Guaranty Ordinance*") providing for the unconditional guaranty (the "*City Guaranty*") by the City of the payment when due of the principal of and interest on the 2008 Bond, and to implement said Guaranty Ordinance the City and the Authority and the Trustee will enter into a Guaranty Agreement dated as of \_\_\_\_, 2008 relating to the 2008 Bond (the "*Guaranty Agreement*"); and

WHEREAS, the Authority, the City and the Trustee have heretofore entered into a Continuing Disclosure Agreement dated as of \_\_\_\_, 2008 (the "*Continuing Disclosure Agreement*"); and

WHEREAS, in order to market and sell the 2008 Bond, (i) the Authority has heretofore prepared and caused to be circulated a Preliminary Official Statement (the "*POS*") and will hereafter cause to be circulated a final Official Statement (the "OS"), (ii) the Authority will enter into a negotiated sale of the 2008 Bond with NW Capital Markets Inc. (the "*Underwriter*") pursuant to the terms of a bond purchase agreement (the "*BPA*") and (iii) the City and the Authority shall take such other actions and shall authorize, execute or acknowledge, as the case may be, and deliver such other documents, instruments or certificates as bond counsel and financial advisor to the Authority deem necessary, convenient, useful or desirable in order to issue the 2008 Bond (collectively, the "*Certificates*"), and together with the Indenture, this Fourth Supplemental Indenture, the Guaranty Agreement, the POS, the OS, the BPA and the Continuing Disclosure Agreement, the "*Financing Documents*"); and

WHEREAS, any of the Financing Documents may be combined into one or more documents as the Authority deems necessary, desirable, useful or convenient; and

NOW, THEREFORE, in consideration of the premises and certain other consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority covenants with the

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Trustee, for the equal and proportionate benefit of the respective Holders, from time to time, of the 2008 Bonds and all other Bonds issued under the Indenture, as follows:

## ARTICLE I Definitions and Statutory Authority

### SECTION 1.1. Fourth Supplemental Indenture.

This Fourth Supplemental Indenture is executed and delivered for the purpose of issuing and securing the 2008 Bond, in accordance with Article II and Article XII of the Indenture.

### SECTION 1.2. Definitions.

All terms which are defined in Section 101 of the Indenture shall have the same meanings, respectively, in this Fourth Supplemental Indenture as such terms are given in said Section 101 of the Indenture, except as herein provided.

The definition of "*Debt Service Requirement*" shall be amended by adding the following at the end thereof:

"Notwithstanding the foregoing, principal of and interest on the 2008 Bond shall not be considered when calculating the Debt Service Requirement for purposes of Section 504 hereof."

In addition, the following terms shall have the meaning specified in this Section 1.2:

"*Bond Year*" shall mean \_\_\_\_, 2008 to \_\_\_\_, 2009.

"*Costs of Issuance*" shall mean all items of expense directly or indirectly payable by or reimbursable to the Authority and/or the City and related to the authorization, execution, sale and delivery of the 2008 Bond, including, but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary and the Authority, the fees to be paid to the Underwriter and to financial advisors and accountants and for legal fees and disbursements of the City, the Authority, any Fiduciary and the Underwriter and initial charges and all other initial fees and disbursements contemplated by the Financing Documents and the Local Finance Board Application relating to the 2008 Bond.

"*Costs of Issuance Fund*" shall mean the fund by that name established by the Trustee pursuant to Section 501(4) of the Indenture and Section 2.8 hereof.

"*Counsel's Opinion*" shall mean an opinion of nationally recognized bond counsel.

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"*Executive Director's Certificate*" shall mean the certificate referred to in Section 2.1(a) hereof.

"*Independent Banking Institution*" shall mean an investment banking institution of national standing that is a primary U.S. government securities dealer in the City of New York, as designated by the Issuer.

"*Issue Date*" shall mean \_\_\_\_, 2008.

"*Manager's Operating Account*" means the TD Bank, National Association operating account of Hudson Healthcare, Inc.

## ARTICLE II Terms and Conditions of the 2008 Bond

### SECTION 2.1. Authorization and Sale of the 2008 Bond.

(a) The Authority hereby authorizes the issuance of its 2008 Bond in the aggregate principal amount of \$ \_\_\_\_, to be designated "City of Hoboken Guaranteed Hospital Revenue Bond, Series 2008 (Federally Taxable)", to be issued pursuant to and secured by the Indenture, including this Fourth Supplemental Indenture, and the terms of a Series Resolution of the Authority complying with the terms of this Fourth Supplemental Indenture and the parameters of the Local Finance Board Application (the "*Series Resolution*").

(b) The 2008 Bond is to be issued to provide funds to finance the "2008 Project".

### SECTION 2.2. Terms of the 2008 Bond.

The 2008 Bond shall be dated \_\_\_\_, 2008; shall bear interest from its dated date, payable on \_\_\_\_, 2009 and on \_\_\_\_, 2009; and shall be issued as in fully-registered form in denominations of \$5,000 each (or any integral multiple thereof). The 2008 Bond shall be numbered RB-1 and shall mature \_\_\_\_, 2009 and shall bear interest at the rate of \_\_\_\_%.

### SECTION 2.3. Place of Payment.

The principal of or Redemption Price of the 2008 Bond shall be payable at the principal office of the Trustee in Cherry Hill, New Jersey. The interest on the 2008 Bond is payable by check mailed to the Registered Owner thereof as of any Record Date or pursuant to the provisions of SECTION 2.6 hereof.

### SECTION 2.4. Redemption.

The Series 2008 Bond is not subject to optional redemption.

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### SECTION 2.5. Application of the Proceeds of the 2008 Bond.

(a) The proceeds of the 2008 Bond, in the amount of \$ \_\_\_\_ (par of \$ \_\_\_\_ less underwriter's discount of \$ \_\_\_\_), shall be applied simultaneously with the delivery of the 2008 Bond as follows:

(i) There shall be deposited in the Operating Fund an amount equal to \$ \_\_\_\_ [for immediate transfer to the Manager's Operating Account;]

(iii) There shall be deposited in the Operating Reserve Fund an amount equal to \$ \_\_\_\_; and

(iv) There shall be deposited in the Escrow Fund established between the Authority and the Escrow Agent (as defined therein) an amount equal to \$ \_\_\_\_, which amount, in combination with \$ \_\_\_\_ transferred from the Capitalized Interest Account for and \$ \_\_\_\_ transferred from the Debt Service Fund for the 2007B Bonds will be applied to defease the Refunded 2007B Bonds to July 1, 2009, their maturity date.

(v) There shall be deposited in the Costs of Issuance Fund (established hereby) an amount equal to \$ \_\_\_\_ for application to the payment of Costs of Issuance incurred in connection with the issuance of the 2008 Bond.

### SECTION 2.6. Book Entry Only System.

As provided in Section 309 of the Indenture, the registered Holder of the 2008 Bond shall be, and the 2008 Bond shall be registered in the name of, Cede & Co. ("*Cede*"), as nominee of DTC. Payment of interest for the 2008 Bond shall be made by wire transfer of same day funds to the account of Cede on the Interest Payment Date for the 2008 Bond at the address indicated for Cede in the registry books of the Authority kept by the Trustee. All other provisions contained in Section 309 shall be applicable to the 2008 Bond.

### SECTION 2.7. Form of 2008 Bond and Trustee's Authentication Certificate.

Subject to the provisions of this Fourth Supplemental Indenture, the 2008 Bond and the Trustee's certificate of authentication shall be of substantially in the form as in Section 1207 of the Indenture.

### SECTION 2.8. Establishment of Costs of Issuance Fund.

Pursuant to Section 501(4) of the Indenture, the Trustee is hereby directed to establish on behalf of the Authority a "Costs of Issuance Fund" in respect of the 2008 Bond. The Costs of

5

Issuance Fund shall be subject to the pledge of the Indenture and shall be held by the Trustee separate and apart from other monies and securities held under the Indenture. Amounts deposited in the Costs of Issuance Fund pursuant to the terms of this Fourth Supplemental Indenture, together with interest earned thereon, shall be held in trust by the Trustee prior to disbursement for the payment or reimbursement of Costs of Issuance upon presentation to the Trustee of a proper requisition of the Authority duly executed by an authorized officer of the Authority therefor. All income derived from the investment of monies in the Costs of Issuance Fund shall be held therein. Once all Costs of Issuance have been paid, as evidenced by a certificate of an authorized officer of the Authority, but no later than 180 days after the date hereof, any balance of monies on deposit therein shall be transferred by the Trustee to the Debt Service Fund, the Construction Fund or to such other Fund established pursuant to the Indenture as directed by an authorized officer of the Authority.

**SECTION 2.9. Establishment of Accounts in Debt Service Fund; Application of Investment Earnings Thereof**

(a) The Trustee is hereby directed to establish on behalf of the Authority the Debt Service Fund, which shall be used to pay debt service on the 2008 Bond. Interest earned on any investments in the Debt Service Fund shall be retained therein.

**SECTION 2.10. Application of Investment Earnings of the Operating Fund and the Operating Reserve Fund.**

Interest earned on any investments in the Operating Fund and the Operating Reserve Fund shall be retained therein.

**SECTION 2.11 Establishment of Escrow Fund.**

The Trustee is hereby directed to establish on behalf of the Authority an Escrow Fund, which shall be used to pay principal of, and redemption premium and interest due on the Refunded Bonds.

**ARTICLE III  
Miscellaneous**

**SECTION 3.1. Execution in Counterparts.**

This Fourth Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

**SECTION 3.2. Effective Date.**

This Fourth Supplemental Indenture shall be effective immediately.

**IN WITNESS WHEREOF**, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

**HOBOKEN MUNICIPAL HOSPITAL  
AUTHORITY**

[SEAL]

By: \_\_\_\_\_  
George W. Crimmins, Executive Director

Attest:

\_\_\_\_\_  
Camille Corea, Secretary

**TD BANK, NATIONAL ASSOCIATION, as  
Trustee (successor to Commerce Bank, National  
Association)**

[SEAL]

By: \_\_\_\_\_  
Authorized Officer

Attest:

\_\_\_\_\_



**APPENDIX F**

**CITY OF HOBOKEN GUARANTY ORDINANCE  
AND  
FORM OF GUARANTY AGREEMENT**

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Sponsored by: \_\_\_\_\_

Seconded by: \_\_\_\_\_

**CITY OF HOBOKEN**  
**ORDINANCE NO. DR-281**

*1st Reading Monday*  
*11-13-06*

**ORDINANCE OF THE CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY AUTHORIZING THE GUARANTY BY THE CITY OF HOBOKEN OF BONDS, NOTES OR OTHER OBLIGATIONS OF THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$52,000,000 AND AUTHORIZING VARIOUS AGREEMENTS AND RELATED MATTERS IN CONNECTION THEREWITH**

**WHEREAS**, for over 143 years, St. Mary Hospital (the "Hospital") has provided affordable and convenient healthcare services to the residents of the City of Hoboken, in the County of Hudson, New Jersey (the "City"); and

**WHEREAS**, the City was advised by the Hospital that it intends to close and that it has submitted a Certificate of Need to the New Jersey Department of Health and Senior Services for permission to do so; and

**WHEREAS**, the City declared that a serious public emergency would exist affecting the health, safety and welfare of the people of the City resulting from the fact that the Hospital would close, unless the City took certain actions; and

**WHEREAS**, the Legislature of the State of New Jersey (the "State") has enacted the Municipal Hospital Authority Law N.J.S.A. 30:9-23.15 *et seq.* (the "Act"), which authorizes cities to acquire certain existing urban hospitals and to operate them; and

**WHEREAS**, the City has formed an authority known as the Hoboken Municipal Hospital Authority (the "Authority") pursuant to the provisions of the Act, to acquire the Hospital in order to ensure that the citizens of the City continue to have access to affordable healthcare, to maintain and improve the health and welfare of its citizens and to the extent deemed necessary by the City, for such facilities to obtain the financial support and other resources from the City that are needed to operate; and

**WHEREAS**, the formation of the Authority, the acquisition by such Authority of the Hospital and the operation thereof by such Authority has been declared to be a public use and purpose; and

**WHEREAS**, pursuant to the provisions of the Act, the Authority intends to issue bonds, notes or other obligations (collectively, the "Obligations") to finance, among other things, initial working capital for the Authority, the establishment an operating reserve fund, the acquisition of certain real and personal property and the construction of certain capital improvements, and the payment of costs of issuance of the Obligations (collectively, the "Project"); and

WHEREAS, pursuant to the provisions of the Act, specifically N.J.S.A. 30:9 -23.21(c), the City is authorized to unconditionally guarantee the punctual payment of the principal of and the interest on any obligations issued by the Authority by ordinance duly adopted by the City Council in the manner provided in the Local Bond Law of the State of New Jersey (the "Local Bond Law"); and

WHEREAS, the Authority has made a detailed report dealing with the Project (in the form of an application to the Local Finance Board), and has delivered a copy of such report to the City Council; and

WHEREAS, the Authority has adopted or will adopt one or more bond resolutions (collectively, the "Bond Resolution") providing for, among other things, the issuance of Obligations and the financing of the Project; and

WHEREAS, in order to provide inducement to the prospective purchasers of the Obligations to purchase same and in order to provide additional security to the holders thereof, in accordance with the terms of the Act and the Local Bond Law, the City desires to provide for the guaranty of the Obligations to be issued by the Authority and for the execution of one or more guaranty agreements relating thereto; now, therefore,

NOW THEREFORE BE IT ORDAINED by the Mayor and City Council of the City of Hoboken, in the County of Hudson, New Jersey, as follows:

Section 1. Pursuant to and in accordance with the terms of the Act, the City is hereby authorized to and hereby shall guaranty the timely payment of the principal of and interest on any Obligations which are issued from time to time by the Authority, in an aggregate principal amount not exceeding \$52,000,000 outstanding at any time to be issued in respect of the Project, as described in the preamble hereof, on such terms and with such interest rates as shall be determined by the Authority in a manner which is consistent with the provisions of the Act. Upon endorsement of the Obligations referred to in Section 2 below, the City shall be unconditionally and irrevocably obligated to pay the principal of and interest on the Obligations in the same manner and to the same extent as bonds issued by the City and, accordingly, the City shall be unconditionally and irrevocably obligated to levy *ad valorem* taxes upon all the taxable property within the City for the payment thereof without limitation as to rate or amount when required under the provisions of applicable law. The full faith and credit of the City are hereby pledged for the full and punctual performance of said guaranty.

Section 2. The Mayor of the City shall, by manual or facsimile signature, execute on each of the Bonds, as appropriate, such guaranty by the City of the timely payment of the principal of and interest thereon. The guaranty shall be in substantially the following form:

"GUARANTY OF THE CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY

The payment of the principal of and interest on the within instrument is hereby fully and unconditionally guaranteed by the City of Hoboken, in the County of Hudson, New Jersey, and the City is unconditionally liable for the payment, when due, of the principal of and interest on this instrument.

IN WITNESS WHEREOF, the City of Hoboken, in the County of Hudson, New Jersey, has caused this Guaranty to be executed by the manual or facsimile signature of its Mayor.

CITY OF HOBOKEN, IN THE COUNTY OF HUDSON,  
NEW JERSEY

\_\_\_\_\_  
Mayor"

**Section 3.** It is hereby found, determined and declared by the City Council that:

(a) This ordinance may be adopted notwithstanding any statutory or other debt limitation, including particularly any limitation or requirement under or pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the Revised Statutes of New Jersey, as amended, but the aggregate principal amount of the Obligations which shall be entitled to the benefits of the City's guaranty pursuant to the terms of this ordinance, being an amount not in excess of \$52,000,000, shall be reflected in the debt statements of the City in the manner provided in N.J.S.A. 40:11A-22 (2), which is incorporated by reference in N.J.S.A. 30:9-23.21(c).

(b) The principal amount of the Obligations which shall be entitled to the benefits of the City's guaranty pursuant to the terms of this ordinance and included in the gross debt of the City shall be deducted from such gross debt under and for all purposes of the Local Bond Law (a) from and after the date of the adoption of this ordinance and until the end of the fifth fiscal year beginning next thereafter and (b) in any annual debt statement filed pursuant to the Local Bond Law as of the end of said fifth fiscal year or any subsequent fiscal year if the City shall not have been required to make any payment in such fiscal year on account of the principal of or interest on any of the Obligations guaranteed pursuant to this ordinance, or as otherwise provided by law.

**Section 4.** The following matters are hereby determined, declared, recited and stated:

(a) The maximum estimated cost of the Project to be financed and refinanced and the maximum principal amount of the Obligations of the Authority outstanding at any time which are hereby and hereunder guaranteed as to payment of principal and interest is \$52,000,000.

(b) The purpose described in this ordinance is not a current expense of the City and no part of the cost thereof has been or shall be assessed on property specially benefitted thereby.

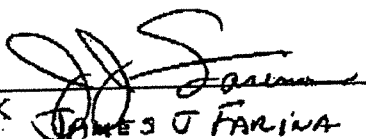
(c) A Supplemental Debt Statement of the City has been duly made and filed in the office of the City Clerk, and a complete duplicate thereof has been filed in the office of the Director of the Division of Local Government Services of the State of New Jersey, and such debt statement shows that while the gross debt of the City, as defined in the Local Bond Law, is increased by this ordinance by \$52,000,000, in accordance with the provisions of Local Bond Law, the net debt of the City is not increased, and the obligations of the City which are authorized by or incurred pursuant to the terms of this ordinance is permitted by an exception to the debt limitations of the Local Bond Law which exception is contained in N.J.S.A. 40:11A-22 (2), which is incorporated by reference in N.J.S.A. 30:9-23.21(c).

Section 5. All other items to be contained in a bond ordinance adopted pursuant to the Local Bond Law are hereby determined to be inapplicable to this guaranty of the Obligations.

Section 6. The Mayor is hereby authorized to execute and deliver (i) one or more guaranty agreements setting forth such matters with respect to the guaranty as such officer deems appropriate and not inconsistent with this guaranty ordinance and (ii) one or more continuing disclosure agreements or other instruments undertaking the secondary disclosure obligations of the City required by Rule 15c2-12 of the U.S. Securities and Exchange Commission. The guaranty agreement(s) shall also contain such terms as approved by the Local Finance Board consistent with the applicable provisions of the Act, the Local Bond Law and the Local Authorities Fiscal Control Law.

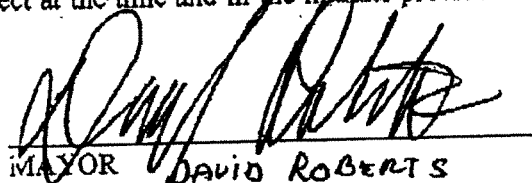
Section 7. This ordinance shall take effect at the time and in the manner provided in the Act.

CITY CLERK

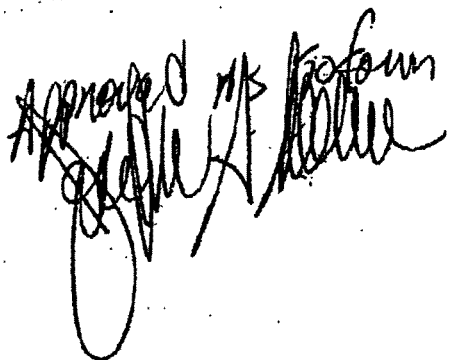
  
JAMES J. FARINA

ADOPTED 1-3-07

MAYOR

  
DAVID ROBERTS

APPROVED 1-3-07

  
APPROVED BY ROBERTS

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**GUARANTY AGREEMENT**

**By and Among the**

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**

**and the**

**CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY**

**and**

**TD BANK, NATIONAL ASSOCIATION,  
(formerly Commerce Bank, National Association), as Trustee**

**Dated as of \_\_\_\_\_, 2008**

**Hoboken Municipal Hospital Authority**

**\$\_\_\_\_\_ City of Hoboken Guaranteed Hospital Revenue Bond,  
Series 2008 (Federally Taxable)**

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**THIS GUARANTY AGREEMENT** (hereinafter the "Guaranty Agreement"), made and dated as of the \_\_\_ day of \_\_\_\_\_, 2008, by and among the Hoboken Municipal Hospital Authority (hereinafter referred to as the "Authority"), a public body corporate and politic of the State of New Jersey, the City of Hoboken, in the County of Hudson, New Jersey (hereinafter referred to as the "City"), a municipal corporation of the State of New Jersey, and TD Bank, National Association (formerly, Commerce Bank, National Association), of Cherry Hill, New Jersey, as trustee (the "Trustee").

**W I T N E S S E T H:**

**WHEREAS**, the Authority was created by ordinance of the City Council of the City, duly adopted August 9, 2006, as a public body corporate and politic of the State of New Jersey (the "State") pursuant to the provisions of the Municipal Hospital Authority Law, constituting Chapter 30 of the Pamphlet Laws of 2006 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto (the "Act"); and

**WHEREAS**, the City formed the Authority pursuant to the provisions of the Act to acquire certain assets relating to "St. Mary Hospital" (the "Hospital Facilities") in order to ensure that the citizens of the City continue to have access to affordable healthcare, to maintain and improve the health and welfare of its citizens and to operate them; and

**WHEREAS**, the Authority has previously issued its \$40,465,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007A (the "2007A Bonds") and its \$11,170,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable)(the "2007B Bonds" and collectively, with the 2007A Bonds, the "2007 Bonds"); and

**WHEREAS**, the 2007B Bonds are currently outstanding in the aggregate principal amount of \$\_\_\_\_\_; and

**WHEREAS**, by a bond resolution entitled "RESOLUTION OF THE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY AUTHORIZING THE ISSUANCE OF BONDS, NOTES OR OTHER OBLIGATIONS OF THE AUTHORITY TO REFUND BONDS OF THE AUTHORITY AND FINANCE CERTAIN COSTS IN CONNECTION WITH THE OPERATION OF HOBOKEN UNIVERSITY MEDICAL CENTER AND FURTHER AUTHORIZING THE EXECUTION OF A SUPPLEMENTAL INDENTURE TO SECURE SAME" " adopted by the Authority on \_\_\_\_, 2008, as may be amended or supplemented from time to time (collectively, the "Bond Resolution"), the Authority has heretofore determined to finance a project (the "2008 Project"), consisting of: (A) refunding a portion of the 2007B Bonds, (B) financing working capital for operation of Hoboken University Medical Center (the "Hospital"), (C) financing a deposit to the operating reserve fund, and (D) paying costs of issuing the 2008 Bonds; and

**WHEREAS**, the Authority and the Trustee have heretofore entered into an Indenture of Trust, dated as of February 1, 2007, as amended and supplemented (the "2007 Indenture") providing for the issuance by the Authority of certain bonds, notes and other obligations from time to time; and



**WHEREAS**, pursuant to the Bond Resolution and a Fourth Supplemental Indenture, dated as of \_\_\_\_\_, 2008 between the Authority and the Trustee (the "Fourth Supplemental Indenture") and collectively, with the 2007 Indenture, the "Indenture"), the Authority has determined to finance the costs of the 2008 Project through the issuance of \$ \_\_\_\_\_ aggregate principal amount of its City of Hoboken Guaranteed Hospital Revenue Bond, Series 2008 (Federally Taxable) ("2008 Bonds") as described in the Indenture; and

**WHEREAS**, the 2008 Bond will be a parity Bond under the Indenture and, as such, it will be equally secured (except as otherwise provided herein and in the Indenture), together with all other "Bonds" issued thereunder, by the "Trust Estate", including without limitation the "Revenues" of the Authority; and

**WHEREAS**, pursuant to the provisions of the Act, specifically N.J.S.A. 30:9-23.21(c), the City is authorized to unconditionally guarantee the punctual payment of the principal of and the interest on any obligations issued by the Authority by ordinance duly adopted by the City Council in the manner provided in the Local Bond Law of the State of New Jersey (the "Local Bond Law"); and

**WHEREAS**, the Authority has made a detailed report dealing with the 2008 Project and the 2008 Bond (in the form of an application to the Local Finance Board), and has delivered a copy of such report to the City Council; and

**WHEREAS**, in order to provide inducement to the prospective purchasers of the 2008 Bonds to purchase same and in order to provide additional security to the holders thereof, in accordance with the terms of the Act and the Local Bond Law, on January 3, 2007 the City finally adopted an ordinance (the "Guaranty Ordinance") providing for the unconditional guaranty by the City of the payment when due of the principal of and interest on an amount not to exceed \$52,000,000 of bonds, notes or other obligations of the Authority; and

**WHEREAS**, on September 10, 2008, the Director of the Division of Local Government Services and the Local Finance Board by resolution (the "LFB Resolution") determined that the City is subject to supervision pursuant to, among other things, Article IV of the Local Government Supervision Act, N.J.S.A. 52:27BB-54 et seq. (the "Act"); and

**WHEREAS**, such LFB Resolution sets forth the limitations imposed upon the City, whereby the ability of the City to issue debt to fund any City Guaranty while the City is subject to the Local Government Supervision Act is subject to the future approval of the issuance of such debt by the Director of the Division of Local Government Services pursuant to the Act; and

**WHEREAS**, in order to provide inducement to the prospective purchasers of the 2008 Bond to purchase same, and in order to provide additional security to the holders of the 2008 Bonds, the City now desires to provide for the guaranty of the 2008 Bond in accordance with terms of the Act, the Local Bond Law and the Guaranty Ordinance; and

**WHEREAS**, the Authority, the City and the Trustee now desire to enter into this Guaranty Agreement in order to implement the application of said Guaranty Ordinance to the benefit of the 2008 Bonds;

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements set forth herein, the Authority, the City and the Trustee, each binding itself and its successors and assigns, do mutually covenant, promise and agree as follows:

**Section 1.** Pursuant to the provisions of the Act, Local Bond Law and the Guaranty Ordinance, the City hereby agrees to unconditionally guarantee the punctual payment of the principal of the 2008 Bond in the principal amount of \$\_\_\_\_\_ (which combined principal amount, along with the outstanding 2007 Bonds, does not exceed the \$52,000,000 principal amount limitation contained in the Guaranty Ordinance) together with all accrued interest thereon. The full faith and credit of the City are hereby pledged for the full and punctual performance of this guaranty (the "City Guaranty").

**Section 2.** The Mayor shall execute on the 2008 Bond a certificate evidencing the guarantee of the punctual payment of the principal thereof and the interest thereon, such City Guaranty to be in substantially the following form:

"GUARANTY OF THE CITY OF HOBOKEN, IN THE COUNTY OF  
HUDSON, NEW JERSEY

The payment of the principal of and interest on the within instrument is hereby fully and unconditionally guaranteed by the City of Hoboken, in the County of Hudson, New Jersey, and the City is unconditionally liable for the payment, when due, of the principal of and interest on this instrument.

IN WITNESS WHEREOF, the City of Hoboken, in the County of Hudson, New Jersey, has caused this Guaranty to be executed by the manual or facsimile signature of its Mayor.

CITY OF HOBOKEN, IN THE COUNTY OF  
HUDSON, NEW JERSEY

\_\_\_\_\_  
Mayor"

**Section 3.** The Authority agrees to apply the proceeds derived from the sale of the 2008 Bond toward the 2008 Project, in the manner provided in the Indenture and the Fourth Supplemental Indenture.

**Section 4.** The Authority will keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to the 2008 Bond and which, together with all other books and papers of the Authority, shall at all reasonable times be subject to inspection.

**Section 5.** Within ten (10) days after the date of issuance of the 2008 Bond, the Authority shall notify the City in writing (by letter addressed to the Mayor) of the date of issuance, the maturity date, the interest rate and the paying agent on such 2008 Bond, provided that failure to give such notice shall not affect the validity of this Guaranty.

**Section 6.** (a) In addition to the notices described in Section 7 hereof, the Trustee shall, (i) no later than the third (3<sup>rd</sup>) Business Day of each Accounting Period (as such terms are defined in the Indenture), give written notice to the City and the Authority of the amount, if any, by which the Revenues available for application were insufficient to satisfy in full the deposit requirements contained in clauses First and Second of Section 504 of the Indenture, and (ii) within one Business Day after each Payment Date (as such term is defined in the Indenture), give written notice to the City and the Authority of the amount(s) (other than investment earnings, if any), if any, which were transferred to (x) the several accounts within the Debt Service Fund on such Payment Date from each of the Debt Service Reserve Fund, the Capital Replacement Fund and/or the Operating Reserve Fund pursuant to Sections 507, 509 and/or 508, as applicable, of the Indenture, and/or (y) the Operating Fund during the preceding Accounting Period from the Operating Reserve Fund pursuant to Section 508 of the Indenture.

(b) Within ten (10) days following receipt of any notice pursuant to paragraph (a) above, the Authority shall provide to the City and the Trustee written estimates of (i) the projected amounts required to be deposited pursuant to clauses First and Second of Section 504 of the Indenture for each of the next six (6) succeeding Accounting Periods and (ii) the projected amount of Revenues expected to be available to the Authority in respect of the next six (6) succeeding Accounting Periods. If for any such Accounting Period the amount in clause (i) shall exceed the amount in clause (ii), the Authority shall provide, together with such written estimates, a summary of the steps the Authority intends to take to address such deficiency, including (x) any projected recourse to the Debt Service Reserve Fund, the Capital Replacement Fund and/or the Operating Reserve Fund, (y) any steps the Authority intends to take in order to increase the collection of Revenues and/or decrease the amount of Operating Expenses (as such term is defined in the Indenture) and (z) any projected recourse to the City Guaranty.

(c) In the event any notice from the Authority described in paragraph (b) above indicates that, following any projected recourse to the Debt Service Reserve Fund, the Capital Replacement Fund and/or the Operating Reserve Fund (and disregarding for this purpose any curative steps the Authority may intend to take pursuant to clause (y) of paragraph (b) above), there still is projected a deficiency in the amount required to be deposited pursuant to clause First of Section 504 of the Indenture as to any of such ensuing six (6) Accounting Periods, then, within ten (10) days following receipt of such notice, the City shall provide written notice to the Authority and the Trustee of the steps the City intends to take in order to implement the provisions of Section 7 hereof.

**Section 7.** Pursuant to the terms of the Indenture, the Authority has covenanted to punctually pay the principal of, redemption premium, if any, and interest on the 2008 Bond as the same become due and payable.

If, sixty (60) days prior to any date established for the payment of the principal of and/or interest on the 2008 Bond, the written notices described in Section 6(c) hereof indicate an anticipated need to draw upon the City Guaranty in order to provide for the full payment of the interest and/or principal which is due and payable on such payment date, the Trustee shall notify the Authority, the Mayor and the City Clerk in writing by certified mail (return receipt requested) of the amounts which are necessary to provide for the payment of the principal of and interest on the 2008 Bond. The City shall be obligated to make payment to the Trustee of the amounts referred to above no later than three (3) Business Days prior to said payment date except to the extent the applicable account(s) within the Debt Service Fund otherwise have sufficient funds on hand on the date or dates required for the payment of such principal and/or interest. In such event, such sum shall be applied by the Trustee for deposit into the Debt Service Fund. Forty-five (45) days prior to said payment date the City must notify the Trustee in writing as to the source of funds to provide for such payment. Notwithstanding any other provision of this Guaranty Agreement, failure by the Trustee to give the City notice as provided herein shall not relieve the City of its obligations to make payment under the terms of the City Guaranty.

**Section 8.** When notice has been provided, as described above, the City shall take all necessary actions to make payment to the Trustee of an amount which, when added to the amounts which are on deposit in the funds and accounts established and created under the Indenture, is sufficient to pay the principal of and interest on any 2008 Bond. Such actions shall include the adoption of an emergency appropriation or an emergency temporary appropriation and the funding of such appropriation in accordance with the requirements of the Local Budget Law, the levy of unlimited ad valorem taxes or any other actions that are legally permitted to be taken to meet the requirements of such City Guaranty (including the adoption of a bond ordinance pursuant to the provisions of the Local Bond Law).

**Section 9.** The Authority hereby covenants to the City that in the event the City Guaranty is called upon, the Authority shall be obligated and will take all actions within its power (in accordance with the terms of the Act and Local Bond Law), so as to enable the Authority to reimburse the City for any and all amounts which have been paid by the City pursuant to the terms of this Guaranty Agreement, at the earliest practicable date; provided however, that such obligation shall be on a basis subordinate to its obligation to make payment on the 2008 Bond. The Authority hereby acknowledges that its obligation under this Section 9 to reimburse the City for all advances made by the City pursuant to the City Guaranty shall be valid notwithstanding any bankruptcy or insolvency of the Authority, and that the City's right to reimbursement as aforesaid shall be payable under and secured by the terms of the Indenture, as and to the extent provided therein.

**Section 10.** The Authority hereby covenants to the City that it shall comply with each of the covenants contained in Article VI of the Indenture. In the event the Authority shall hereafter sell or otherwise transfer all or a portion of the Hospital (or related facilities), the Authority hereby covenants that (i) any such sale or transfer shall be in accordance with the requirements of the Indenture, the Fourth Supplemental Indenture and, if applicable, the Asset Transfer Agreement relating to the acquisition of the Hospital by the Authority from Bon Secours Health System, Inc. and (ii) as and to the extent provided thereunder, all or a portion of the proceeds of any such sale or transfer shall be used by the Authority to reimburse the City for amounts payable to the City under Section 9 hereof, and for such purpose the City shall have an

express lien on the proceeds payable to the Authority from any such sale or transfer, to the extent of such entitlement.

**Section 11.** The Authority shall provide, or cause to be provided, to the City, from time to time and upon reasonable notice, such information and reports as the City may request, including (without limitation) reports as to the operations of the Hospital and the financial condition of the Authority and any manager(s) retained by the Authority to operate the Hospital.

**Section 12.** The obligations of the City under this Guaranty Agreement shall be absolute and unconditional and shall remain in full force and effect until the entire principal of and interest on the 2008 Bond shall have been paid or defeased in accordance with the provisions of the Indenture and the Fourth Supplemental Indenture. The obligations of the City hereunder shall not be affected, modified or impaired upon the occurrence from time to time of any event, including without limitation any of the following, whether or not with notice to, or the consent of, the City:

(a) The waiver, compromise, settlement, release, invalidity or termination of any or all of the obligations, covenants or agreements of the Authority which are contained in the Indenture, the Fourth Supplemental Indenture, the 2008 Bond, or any other agreement which is executed and delivered for or with respect to the 2008 Bond (collectively, the “Financing Documents”), or of the payment, performance or observance thereof;

(b) The failure to give notice to the City of the occurrence of an event of default, or any other notice, under the provisions of this Guaranty Agreement;

(c) The transfer, sale, assignment or mortgaging or the purported transfer, sale, assignment or mortgaging of all or any part of the interest or security interest of the Authority in the Revenues, the Hospital or any other Hospital Facilities;

(d) The extension of the time for payment of the principal of or interest on the 2008 Bond or of the time for performance of any obligations, covenants or agreements under or arising out of the Financing Documents;

(e) The modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Financing Documents;

(f) The taking, suffering or the omission of any of the actions referred to in the Financing Documents or of any actions under this Guaranty Agreement;

(g) Any failure, omission, delay or lack on the part of the Authority to enforce, assert or exercise any right, power or remedy conferred on the Authority in this Guaranty Agreement, the Financing Documents or any other act or acts on the part of the Authority or any of the holders from time to time of the 2008 Bonds;

(h) The voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment or other similar proceedings affecting the Authority or any party to the Financing Documents or any of the assets of any of them, or any allegation or contest of the validity of the City Guaranty, this Guaranty Agreement or any of the Financing Documents;

(i) To the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge by operation of law of the City from the performance or observance of any obligation, covenant or agreement contained in this Guaranty Agreement;

(j) The default or failure of the City fully to perform any of its obligations set forth in this Guaranty Agreement;

(k) The destruction, non-use or non-availability of the Hospital or any of the other Hospital Facilities; or

**Section 13.** No set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature (other than performance by the City of its obligations hereunder) which the City has or may have against the Authority, or against any holder of the 2008 Bond, shall be available to the City hereunder against the Authority or anyone succeeding to the Authority's interest. The City agrees that this is a guaranty of payment, and not of collection. Notwithstanding the foregoing on September 10, 2008, the Director of the Division of Local Government Services and the Local Finance Board by resolution (the "LFB Resolution") determined that the City is subject to supervision pursuant to, among other things, Article IV of the Local Government Supervision Act, N.J.S.A. 52:27BB-54 et seq. (the "Act"), and such LFB Resolution sets forth the limitations imposed upon the City, whereby the ability of the City to issue debt to fund any City Guaranty while the City is subject to the Local Government Supervision Act is subject to the future approval of the issuance of such debt by the Director of the Division of Local Government Services pursuant to the Act.

**Section 13.** The City further guarantees that all payments made with respect to the 2008 Bonds will, when made, be final, and agrees that if such payment is recovered from or repaid by or on behalf of the Authority or the holders of the 2008 Bonds in whole or in part in any bankruptcy, insolvency or similar proceeding instituted by or against the Authority, the City Guaranty shall continue to be fully applicable to such liabilities to the same extent as though the payment so recovered or repaid had never been originally made on such liabilities.

**Section 14.** The City agrees to provide, or cause to be provided to the Authority and the Trustee, the City's annual audited financial statements upon their availability for the Authority's use in complying with any requirements of any continuing disclosure undertaking or applicable law relating to continuing disclosure.

**Section 15.** In the event of a default in payment of the principal of or interest on the 2008 Bond when and as the same shall become due, whether at the stated maturity thereof or otherwise, the Authority or any party to whom the Authority's rights have been assigned, including the Trustee, may proceed to enforce its rights hereunder and may proceed first and directly against the City under the terms of this Guaranty Agreement without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by the Authority. All moneys recovered pursuant to this Guaranty Agreement shall be applied as follows, unless otherwise directed by the provisions of the Financing Documents: to the extent amounts paid under the City Guaranty are not immediately used to pay debt service on the 2008 Bond, such amount shall be deposited into the applicable account(s) within the Debt Service Fund pending such application (or, if amounts shall have theretofore been withdrawn from an applicable account within the Debt Service Reserve Fund for the payment of debt service on the 2008 Bond, such amounts may, at the direction of the Authority, instead be deposited into the applicable account(s) within the Debt Service Reserve Fund. Subject to the provisions of any agreement between the Authority and any other person or entity, in the event that the City, pursuant to the City Guaranty, has paid the full amount of the outstanding principal of and interest on the 2008 Bond (such that no 2008 Bond shall remain Outstanding under the Indenture), the City, in addition to its right to reimbursement from the Authority in accordance with Section 9 hereof, shall, at its sole option, be entitled to – but shall under no circumstances be required to – assume control of the Hospital and the other Hospital Facilities and to take all actions that the Authority is required or permitted to take under and pursuant to the Indenture.

**Section 16.** This Guaranty Agreement shall terminate after the indefeasible payment in full of the principal of and interest on the Bonds and Notes has been made, or provision for the payment of same has been made in accordance with the terms of the Indenture, subject to reinstatement as provided in Section 14 hereof.

**Section 17.** This Guaranty Agreement may be executed in any number of counterparts, each of which shall be executed by the Authority and by the City and all of which shall be regarded for all purposes as one original and shall constitute and be but one and the same.

**Section 18.** The City hereby acknowledges and consents to the irrevocable assignment of the City Guaranty by the Authority to the Trustee for the benefit of the holders of the 2008 Bond, as and to the extent provided in the Indenture and the Fourth Supplemental Indenture.

**IN WITNESS WHEREOF**, the parties hereto have caused these presents to be signed by their respective officers thereunto duly authorized, their respective seals to be hereunto affixed and attested, and this Guaranty Agreement to be dated as of the date and the year first above written.

ATTEST:

**HOBOKEN MUNICIPAL HOSPITAL  
AUTHORITY**

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
Executive Director

[SEAL]

ATTEST:

**CITY OF HOBOKEN, IN THE  
COUNTY OF HUDSON, STATE OF  
NEW JERSEY**

\_\_\_\_\_  
City Clerk

By: \_\_\_\_\_  
Mayor

[SEAL]

ATTEST:

**TD BANK, NATIONAL  
ASSOCIATION**  
(formerly Commerce Bank, National  
Association), as Trustee

\_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signature

[SEAL]



**APPENDIX G**

**FORM OF OPINION OF BOND COUNSEL**

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*An opinion in substantially the following form  
will be provided at closing assuming no changes in facts or law*

\_\_\_\_\_, 2008

Hoboken Municipal Hospital Authority  
308 Willow Street  
Hoboken, New Jersey

Re: Hoboken Municipal Hospital Authority  
\$9,720,000 City of Hoboken Guaranteed Hospital Revenue Bond, Series 2008  
(Federally Taxable)

We have acted as Bond Counsel in connection with the issuance by the Hoboken Municipal Hospital Authority (the "Authority") of its City of Hoboken Guaranteed Hospital Revenue Bond, Series 2008 (Federally Taxable) in the aggregate principal amount of \$9,720,000 (the "Bond"). The Bond is issued under the provisions of the Municipal Hospital Authority Law, N.J.S.A. 30:9-23.15 *et seq.*, and the acts amendatory thereof and supplemental thereto (the "Act"), a resolution of the Authority adopted on April 30, 2008 entitled "Resolution of the Hoboken Municipal Hospital Authority Authorizing the Issuance of Bonds, Notes or Other Obligations of the Authority to Refund Bonds of the Authority and Finance Certain Costs in Connection with the Operation of Hoboken University Medical Center, and Further Authorizing the Execution of a Supplemental Indenture to Secure Same" (the "Resolution"), and a Trust Indenture, dated as of February 1, 2007, as amended and supplemented, in particular by a Fourth Supplemental Indenture, dated as of November 1, 2008 (collectively, the "Indenture"), each between the Authority and TD Bank, National Association, as trustee (the "Trustee").

Capitalized terms used in this opinion and not otherwise defined herein shall have the same meanings as are set forth in the Indenture.

The Bond is being issued, along with other moneys of the Authority, to: (i) refund \$2,850,000 (the "Prior Bonds to be Refunded") aggregate principal amount of the Authority's \$11,170,000 City of Hoboken Guaranteed Hospital Revenue Bonds, Series 2007B (Federally Taxable) (the "Series 2007B Bonds"), (ii) finance working capital and reserves for the operation of the Hoboken University Medical Center and (iii) pay costs of issuing the Bond (the "Series 2008 Project").

The Bond is a direct and special obligation of the Authority, payable from the Revenues and the other moneys, securities, rights and proceeds constituting the Trust Estate, as provided in the Indenture.

The Bond will be initially issued in book-entry form only in the form of one certificate for the amount of the Bond, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. The Bond shall be dated its date of delivery and mature on May 1, 2009 and shall bear interest at a rate of 8.00%.

The Bond is not subject to optional redemption prior to maturity.

In connection with the issuance of the Bond, the Authority has entered into an Escrow Deposit Agreement, dated November 3, 2008 (the "Escrow Deposit Agreement") with TD Bank, National Association, as escrow agent (the "Escrow Agent"), pursuant to which a portion of the proceeds of the Bond and other available moneys of the Authority will be deposited and held uninvested as cash or invested in direct and general obligations of, or obligations fully and unconditionally guaranteed by, the United States of America, the maturing principal of which and interest thereon shall be used to pay the interest on the Prior Bonds to be Refunded until July 1, 2009, and to pay the principal of and redemption premium thereon on said date. McEnerney, Brady & Company, LLC, certified public accountants have, based on certain information provided to it, verified the mathematical computation of the adequacy of the cash and maturing principal of and interest on the investments in the Escrow Fund to make payment of the principal of, redemption premium and interest on the Prior Bonds to be Refunded on the payment dates. We have relied upon the verification of the sufficiency of the amounts to be held by the Escrow Agent for purposes of issuing our opinions.

We have reviewed a record of proceedings of the City of Hoboken, in the County of Hudson (the "City") in connection with the adoption of an ordinance by the City, finally adopted January 3, 2007, entitled, "An Ordinance of the City of Hoboken, in the County of Hudson, New Jersey Authorizing the Guaranty by the City of Hoboken, in the County of Hudson, New Jersey, Securing Payment of the Principal of and Interest on Certain Bonds, Notes or Other Obligations of The Hoboken Municipal Hospital Authority, in an Aggregate Principal Amount Not to Exceed \$52,000,000 and Authorizing Related Matters in Connection Therewith" (the "Guaranty Ordinance"). The Guaranty Ordinance has been provided by the City for the purpose of securing the timely payment of the principal of and interest on certain obligations issued by the Authority, including the Bond.

We have also reviewed the Guaranty Agreement, dated as of November 3, 2008, by and among the Authority, the City and the Trustee (the "Guaranty Agreement"), which governs the terms and conditions pursuant to which the City will make payments required to be made under the terms of the Guaranty Ordinance in respect of the Bond (the "City Guaranty"). Reference should be made to the Guaranty Agreement for a full and complete description of its provisions.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bond, including (a) certified copies of the Resolution, the Indenture, the Guaranty Ordinance, the Guaranty Agreement, the Resolution of the Local Finance Board dated September 10, 2008 (the "LFB Resolution"), with respect to the Local Finance Board's actions under the Local Government Supervision Act (N.J.S.A. 52-27BB-54 et seq.) concerning the City of Hoboken and such other statutes, resolutions, certificates and records of the Authority and the City as we have considered to be necessary in order to enable us to express the opinions which are hereinafter set forth; (b) such matters of law, including, inter alia, the Act; and (c) such other agreements, proceedings, certificates, records, approvals, resolutions, documents and legal opinions as to various matters listed in the closing memorandum prepared with respect to the issuance of the Bond. As to

matters of fact, we have relied upon the representations of the Authority and the City, and, where we have deemed appropriate, representations or certifications of public officials. We have assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined.

Based upon the foregoing, we are of the opinion that:

1. The Authority is a public body politic and corporate, duly and validly organized and existing under the Act and authorized to undertake the Initial Project, to adopt the Resolution, to execute and deliver the Indenture and to issue and deliver the Bond.

2. The Resolution has been duly and lawfully adopted by the Authority and is in full force and effect on the date hereof. The Indenture has been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery thereof by the other parties thereto, the covenants of the Authority therein are valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Bond has been duly authorized, issued, executed and sold by the Authority, and is a legal, valid and binding obligation of the Authority, enforceable in accordance with its terms.

4. The City had and has the power and the authority to adopt the Guaranty Ordinance, and the Guaranty Ordinance has in all respects been duly authorized and published as required by law, creates a valid and legally binding obligation of the City and is enforceable in accordance with its terms. The City is obligated to make any required payment under the terms of the City Guaranty out of the first funds becoming legally available to the City for this purpose, and to provide the funds for such payments, if not otherwise available, from the levy of ad valorem taxes upon all the taxable real property in the City without limitation as to rate or amount. The Bond is entitled to the benefits of the City Guaranty and any moneys which are required to be paid to the Trustee by the City with respect to the Bond under the terms of the City Guaranty have been pledged to secure the payment of the principal of and interest on the Bond. The City Guaranty will remain in full force and effect for as long as the Bond remains Outstanding under the Indenture, provided, however, the ability of the City to issue debt, if necessary, to fund the City Guaranty while the City is subject to the Local Government Supervision Act is subject to the future approval of the issuance of such debt by the Director of the Division of Local Government Services pursuant to the Local Government Supervision Act as set forth in the LFB Resolution.

5. The Authority and the City have the power and the authority to execute and deliver the Guaranty Agreement, and the Guaranty Agreement has in all respects been duly authorized, executed and delivered by the Authority and the City and constitutes a legal, valid and binding obligation of the Authority and the City, and is enforceable in accordance with its terms.

6. INTEREST ON THE BOND IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.

7. Under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Bond, interest on the Bond and any gain from the sale thereof are excludable from New Jersey gross income under the New Jersey Gross Income Tax Act.

**IRS CIRCULAR 230 DISCLAIMER REGARDING THE BOND. TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, ANY TAX OPINIONS CONTAINED HEREIN WITH RESPECT TO THE BOND IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE.**

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights, and by equitable principles, and the phrases "enforceable in accordance with their respective terms" and "enforceable in accordance with its terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 6 and 7 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bond.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bond.

We call your attention to the fact that the obligations of the Authority under the Bond do not create any indebtedness of or pledge the credit or the taxing power of the State of New Jersey or of any local unit or of any county or municipality (other than the City, to the extent provided in the City Guaranty) and do not and shall not create or constitute any indebtedness, liability or obligation of the State of New Jersey or of any local unit or of any county or municipality (other than the City, to the extent provided in the City Guaranty), either legal, moral or otherwise.

Very truly yours,

GLUCKWALRATH LLP

**APPENDIX H**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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**CONTINUING DISCLOSURE AGREEMENT**

**among the**

**CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY**

**and the**

**HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**

**and**

**TD BANK, NATIONAL ASSOCIATION, as Trustee and Dissemination Agent**

**Dated as of \_\_\_\_\_, 2008**

**With respect to the Authority's**

**\$\_\_\_\_\_ City of Hoboken Guaranteed Hospital Revenue Bond,  
Series 2008 (Federally Taxable)**

## CONTINUING DISCLOSURE AGREEMENT

**THIS CONTINUING DISCLOSURE AGREEMENT** (this “Agreement”) is made and entered into as of \_\_\_\_\_, 2008 by and among the **CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY** (the “City”), a municipal corporation duly created and validly existing under the laws of the State of New Jersey (the “State”), the **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY**, a public body corporate and politic duly created and validly existing under the laws of the State (the “Authority”), and TD Bank, National Association (formerly Commerce Bank, National Association), a banking corporation authorized to do business under the laws of the State, as Trustee (the “Trustee”) for the \$\_\_\_\_\_ City of Hoboken Guaranteed Hospital Revenue Bond, Series 2008 (Federally Taxable) (the “Bond”) and as the initial Dissemination Agent (as such term is defined herein) for the Authority hereunder.

### WITNESSETH

**WHEREAS**, on November 10, 1994, the United States Securities and Exchange Commission (the “Commission”) adopted its Release Number 34-34961, which amended Rule 15c2-12 (as hereinafter defined) originally adopted by the Commission on June 28, 1989; and

**WHEREAS**, Rule 15c2-12 provides that it is unlawful for any broker, dealer or municipal securities dealer (hereinafter, a “Participating Underwriter”) to act as an underwriter for the Bond unless the Participating Underwriter complies with the requirements of Rule 15c2-12 or is exempted from its provisions; and

**WHEREAS**, Rule 15c2-12 requires, among other things, that a Participating Underwriter shall not purchase or sell the Bond unless the Participating Underwriter has reasonably determined that an “obligated person” (within the meaning of Rule 15c2-12) has undertaken, in a written agreement for the benefit of the Bondholders (as hereinafter defined), to provide certain information relating to such “obligated person”; and

**WHEREAS**, the Authority has determined that each of the Authority and the City is or will be an “obligated person” with respect to the Bond within the meaning of Rule 15c2-12 and each is therefore required to cause the delivery of the information described in this Agreement to the municipal securities marketplace for the period of time specified in this Agreement; and

**WHEREAS**, the City, the Authority and the Dissemination Agent are entering into this Agreement for the benefit of the Bondholders;

**NOW, THEREFORE**, in consideration of the premises and certain other consideration, the sufficiency of which is hereby acknowledged, the parties hereto mutually agree as follows:

# ARTICLE I

## DEFINITIONS AND EXHIBITS

Section 1.1. Certain Definitions. The following terms shall have the respective meanings ascribed to such terms in the preambles hereof:

Agreement  
Authority  
Bond  
City  
Commission  
Participating Underwriter  
State  
Trustee

Section 1.2. Additional Definitions. The following additional terms shall have the meanings specified below:

“Annual Report” means Financial Statements and Operating Data provided at least annually with respect to each of the City and the Authority.

“Authority Fiscal Year” means the fiscal year of the Authority as determined by the Authority from time to time pursuant to State law. As of the date of this Agreement, the Fiscal Year of the Authority begins on January 1 of each calendar year and closes on the following December 31.

“Authority Operating Data” means certain financial and statistical information of the Authority which for purposes of this Agreement shall include the financial and statistical information in the form as attached hereto as Exhibit A, which includes, but is not limited to, hospital utilization data, source of patient revenues and financial performance data including its balance sheet, income statement and cash flows.

“Bondholder” or “Holder” or any similar term, when used with reference to the Bond, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bond.

“Bond Disclosure Event” means any event described in subsection 2.6(a) of this Agreement.

“Bond Disclosure Event Notice” means the notice to each National Repository or the MSRB and the State Repository, if any, as provided in subsection 2.6(b) of this Agreement.

“Central Post Office” means, in accordance with the SEC Interpretive Letter dated September 7, 2004 (the “Interpretive Letter”) regarding [www.DisclosureUSA.org](http://www.DisclosureUSA.org) – Texas MAC’s Central Post Office, DisclosureUSA, an internet based filing system where issuers of tax-exempt bonds and other filers can upload for immediate transmission to the Repositories information and notices required to be filed with the Repositories pursuant to continuing disclosure undertakings designed to assist underwriters in complying with Rule 15c2-12.

“City Fiscal Year” means the fiscal year of the City as determined by the City from time to time pursuant to State law. As of the date of this Agreement, the Fiscal Year of the City begins on July 1 of each calendar year and closes on the following June 30.

“City Operating Data” means certain financial and statistical information of the City, which for purposes of this Agreement shall include the financial and statistical information contained in Appendix A to the Final Official Statement, a copy of which is attached hereto as Exhibit B.

“Dissemination Agent” means an entity or entities acting in the capacity of Dissemination Agent under this Agreement, or any successor Dissemination Agent designated in writing by either the City or the Authority, as the case may be, and which has filed a written acceptance of such designation. The initial Dissemination Agent for the Authority shall be the Trustee.

“Final Official Statement” means the Authority’s official statement, dated \_\_\_\_\_, 2008, relating to the Bond.

“Financial Statements” means the audited financial statements of the City for each City Fiscal Year or the audited financial statements of the Authority for each Fiscal Year, as the case may be, and includes balance sheets, statements of changes in fund balances and statements of current funds, revenues, expenditures and other charges or statements which convey similar information.

“GAAS” means generally accepted auditing standards as in effect from time to time in the United States of America, consistently applied, as modified by governmental auditing standards and mandated State statutory principles applicable to the City or the Authority, as the case may be, as may be in effect from time to time.

“Indenture” means the Indenture of Trust dated as of February 1, 2007, as amended and supplemented, in particular by a Fourth Supplemental Indenture dated as of \_\_\_\_\_, 2008, each between the Authority and the Trustee, pursuant to which the Bond is being issued by the Authority.

“MSRB” means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date of this Agreement is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

“National Repository” means a “nationally recognized municipal securities information repository” within the meaning of Rule 15c2-12. As of the date of this Agreement, the National Repositories designated by the SEC in accordance with Rule 15c2-12 are:

- (a) **Bloomberg Municipal Repository**  
100 Business Park Drive  
Skillman, New Jersey 08558  
Phone: (609) 279-3225  
Facsimile: (609) 279-5962  
<http://www.bloomberg.com/markets/rates/municontacts.html>  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)
- (b) **DPC Data Inc.**  
One Executive Drive  
Fort Lee, New Jersey 07024  
Phone: (201) 346-0701  
Facsimile: (201) 947-0107  
<http://www.dpcdata.com>  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)
- (c) **Interactive Data Pricing and Reference Data, Inc.**  
Attn: NRMSIR  
100 William Street, 15<sup>th</sup> Floor  
New York, New York 10038  
Phone: (212) 771-6999; (800) 689-8466  
Facsimile: (212) 771-7390  
<http://www.interactivedata-prd.com>  
Email: [NRMSIR@interactivedata.com](mailto:NRMSIR@interactivedata.com)
- (d) **Standard & Poor’s Securities Evaluations, Inc.**  
55 Water Street, 45<sup>th</sup> Floor  
New York, New York 10041  
Phone: (212) 438-4595  
Facsimile: (212) 438-3975  
<http://www.disclosuredirectory.standardandpoors.com>  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

“Repository” means each National Repository and each State Repository, if any.

“State Repository” means any public or private repository or entity designated by the State as a state information depository for purposes of Rule 15c2-12. As of the date of this Agreement, there is no State Repository.

Section 1.3. Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing

the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number mean the corresponding Articles and Sections of this Agreement. The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Agreement, refer to this Agreement as a whole unless otherwise expressly stated.

The headings of this Agreement are for convenience only and shall not define or limit the provisions hereof.

## ARTICLE 2

### CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

#### Section 2.1. Continuing Disclosure Covenants.

(a) The City agrees that it will provide, or, if the City has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to provide:

(1) Not later than one hundred eighty (180) days after the end of each City Fiscal Year, commencing with the City Fiscal Year ending June 30, 2008, an Annual Report to each Repository and to the Authority; provided that the Financial Statements of the City may be submitted separately from the balance of the Annual Report and later than the date required herein for the filing of the Annual Report if the Financial Statements of the City are not available by that date, but only if the unaudited financial statements of the City are included in the Annual Report;

(2) Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(a)(1), a copy of the Annual Report, complete to the extent required in Section 2.1(a)(1), to the Trustee and the Dissemination Agent, if the City has appointed or engaged a Dissemination Agent; and

(3) Promptly upon availability thereof, the Financial Statements for the City Fiscal Year which ended June 30, 2007.

(b) The Authority agrees that it will provide, or, if the Authority has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to provide:

(1) Not later than one hundred eighty (180) days after the end of each Authority Fiscal Year, commencing with Authority Fiscal Year ending December 31, 2008, its Annual Report to each Repository; provided, that the Financial Statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required herein for the filing of the Annual Report if the Financial Statements of the Authority are not available by that date, but only if the unaudited financial statements of the Authority are included in the Annual Report ; and

(2) Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(b)(1), a copy of the Annual Report, complete to the extent required in Section 2.1(b)(1), to the Trustee and the Dissemination Agent, if the Authority has appointed or engaged a Dissemination Agent.

Section 2.2. Continuing Disclosure Representations of the City and the Authority. The City and the Authority each represent and warrant that:

(a) Each of their Financial Statements shall be prepared according to the audit

requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and Government Auditing standards issued by the Comptroller General of the United States.

(b) Each of their Financial Statements shall be audited by an independent certified public accountant or a registered municipal accountant or such other accountant as shall be permitted or required under State law in accordance with GAAS.

### Section 2.3. Forms of Annual Reports.

(a) (1) The City's Annual Report may be submitted by the City, or on behalf thereof, as a single document or as separate documents comprising a package.

(2) Any or all of the items which must be included in the Annual Report may be incorporated by reference from other documents, including official statements delivered in connection with other financings issued on behalf of the City or related public entities thereof which have been submitted to each of the Repositories or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

(3) The Annual Report for any City Fiscal Year containing any modified City Operating Data or financial information (as contemplated by Sections 4.9 and 4.10 hereof) for such City Fiscal Year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such City Fiscal Year.

(b) (1) The Authority's Annual Report may be submitted by the Authority, or on behalf thereof, as a single document or as separate documents comprising a package.

(2) Any or all of the items which must be included in the Annual Report may be incorporated by reference from other documents, including official statements delivered in connection with other financings issued on behalf of the Authority or related public entities thereof which have been submitted to each of the Repositories or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by reference.

(3) The Annual Report for any Authority Fiscal Year containing any modified Authority Operating Data or financial information (as contemplated by Sections 4.9 and 4.10 hereof) for such Authority Fiscal Year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such Authority Fiscal Year.



Section 2.4. Responsibilities and Duties of the Authority, the City, the Dissemination Agent and the Trustee.

(a) If fifteen (15) days prior to the dates specified in subsection 2.1(a) and 2.1(b), respectively, the Trustee has not received a copy of the respective Annual Report, complete to the extent required in Section 2.1(a) and 2.1(b), the Trustee shall notify the City or the Authority, as the case may be, in writing to provide notice of the City's or the Authority's, as the case may be, obligations pursuant to Sections 2.1(a), 2.1(b) and/or 2.4(c)(ii) hereof.

(b) If the Trustee, by the date specified in subsection 2.1(a) or 2.1(b) herein, as the case may be, has not received a written report from the City or from the Authority, as the case may be, as required by Section 2.4(c)(ii) hereof, indicating that an Annual Report, complete to the extent required in Sections 2.1(a) or 2.1(b) as the case may be, has been provided to the Repositories and to the Authority, if applicable, by the date specified in subsection 2.1(a) or 2.1(b), the Trustee shall send a notice to each National Repository or the MSRB and the State Repository, if any, in substantially the forms attached hereto as Exhibit C-1 or Exhibit C-2, as the case may be, together with any standard forms or cover sheets which may be required by the MSRB as of the date thereof, with a copy thereof to the Authority and the City.

(c) The City shall, or, if the City has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) by the date specified in subsection 2.1(a) herein, provide a written report to the Authority and the Trustee (and, if a Dissemination Agent has been appointed, to the Dissemination Agent), upon which said parties may rely, certifying that the Annual Report, complete to the extent required in Section 2.1(a), has been provided pursuant to this Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(d) If the City Fiscal Year changes, the City shall promptly notify the Authority and the Trustee, and shall disclose such change in its next Annual Report.

(e) The Authority shall, or, if the Authority has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) by the date specified in subsection 2.1(b) herein, provide a written report to Trustee (and, if a Dissemination Agent has been appointed, to the Dissemination Agent), upon which said parties may rely, certifying that the Annual Report, complete to the extent required in Section 2.1(B), has been provided pursuant to this Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(f) If the Authority Fiscal Year changes, the Authority shall promptly notify the Trustee, and shall disclose such change in its next Annual Report.

Section 2.5. Appointment, Removal and Resignation of the Dissemination Agent.

(a) The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement and shall provide notice of such appointment to the Trustee and the Authority. Thereafter, the City may discharge any such Dissemination Agent and satisfy its obligations under this Agreement without the assistance of a Dissemination Agent, or the City may discharge a Dissemination Agent and appoint a successor Dissemination Agent, such discharge to be effective on the date of the appointment of a successor Dissemination Agent. The City shall provide notice of the discharge of a Dissemination Agent to the Trustee and the Authority and shall further indicate either the decision of the City to satisfy its obligations under this Agreement without the assistance of a Dissemination Agent or the identity of the new Dissemination Agent.

(b) The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and shall provide notice of such appointment to the Trustee. Thereafter, the Authority may discharge any such Dissemination Agent and satisfy its obligations under this Agreement without the assistance of a Dissemination Agent, or the Authority may discharge a Dissemination Agent and appoint a successor Dissemination Agent, such discharge to be effective on the date of the appointment of a successor Dissemination Agent. The Authority shall provide notice of the discharge of a Dissemination Agent to the Trustee and shall further indicate either the decision of the Authority to satisfy its obligations under this Agreement without the assistance of a Dissemination Agent or the identity of the new Dissemination Agent. The Authority appoints the Trustee to serve as its initial Dissemination Agent, and by executing this Agreement the Trustee hereby accepts such appointment.

(c) The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement.

(d) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Authority and the City. Such resignation shall take effect on the date specified in such notice.

Section 2.6. Responsibilities and Duties of the Authority.

(a) The Authority agrees that it will provide in a timely manner to each National Repository or to the MSRB and to the State Repository, if any, notice of any of the following events with respect to the Bond (each, a “Bond Disclosure Event”), if material, and will provide a copy of such notice to the Trustee and the City, for informational purposes only:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves, reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements, reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bond;
- (vii) Modifications to rights of the holder of the Bond;
- (viii) Bond calls (other than regularly scheduled mandatory sinking fund redemptions for which notice of redemption has been given to the Bondholders as required pursuant to the provisions of the Indenture);
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bond; and
- (xi) Rating changes.

(b) If the Authority has determined that the occurrence of a Bond Disclosure Event would be material, the Authority shall file promptly a notice of such occurrence with each National Repository or with the MSRB and the State Repository, if any (the “Bond Disclosure Event Notice”) in the form determined by the Authority together with any standard forms or cover sheets which may be required by the MSRB as of the date thereof; provided, that the Bond Disclosure Event Notice pertaining to the occurrence of a Bond Disclosure Event described in clauses 2.6(a)(viii) (Bond calls) or 2.6(a)(ix) (defeasances) need not be given under this subsection any earlier than the time when the notice (if any) of such Bond Disclosure Event shall be given to Holders of affected Bonds as provided in Section 1011 and other related sections of the Indenture. The obligations of the Authority to provide the notices required under this Agreement are in addition to, and not in substitution of, any of the obligations (if any) of the Trustee to provide notices of events of default to Holders under said Section 1011 and other related sections of the Indenture. The Authority shall file a copy of each Bond Disclosure Event Notice with the Trustee and the City, for informational purposes only.

Section 2.7. Immunities and Liabilities of the Trustee. Article XI of the Indenture, relating to compensation, reimbursement, immunities and liabilities of the Trustee, is hereby made applicable to its responsibilities under this Agreement. The immunities and liabilities of the Trustee shall survive the termination of the Indenture, as amended and supplemented. The Trustee shall have no obligation hereunder to provide, or to monitor the Authority's obligation to provide, Bond Disclosure Event Notices.

Section 2.8. Central Post Office. Notwithstanding anything herein contained to the contrary, the Authority, the City and the Dissemination Agent, respectively, may file, or cause to be filed, with the Central Post Office, by transmitting such filing to the Texas Municipal Advisory Council (the “MAC”) as provided at <http://www.disclosureusa.org>, the Annual Report, and any notices necessary to be filed hereunder in lieu of making such filings with the Repositories for so long as the filing of the Annual Reports and notices with the Central Post Office is an undertaking described in paragraph (b)(5)(i) of Rule 15c2-12, as determined by the SEC in the Interpretative Letter. The Dissemination Agent may assume that the Interpretative Letter is in full force and effect unless (a) advised by the Authority in writing to the contrary or (b) the Dissemination Agent has actual knowledge that the Interpretative Letter has been withdrawn or revoked.

## ARTICLE 3

### REMEDIES

#### Section 3.1 Remedies.

(a) The Trustee may (and at the request of the Holders of at least twenty-five percent (25%) in aggregate principal amount of outstanding Bonds, and after provision of indemnity in accordance with Section 1004 of the Indenture, shall), or any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the City and/or the Authority and any of their respective officers, agents and employees which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the City and/or the Authority under this Agreement and may compel the City and/or the Authority or any of their respective officers, agents or employees, (except for the Dissemination Agent with respect to the obligations, agreements and covenants of the City or the Authority), to perform and carry out their duties under this Agreement; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided further that any Bondholder, acting for the equal benefit and protection of all Bondholders similarly situated, may pursue specific performance only with respect to the failure to file the Annual Reports and Bond Disclosure Event Notices required by this Agreement, and may not pursue specific performance in challenging the adequacy of Annual Reports which have been filed pursuant to the provisions hereof.

(b) In case the Trustee or any Bondholder shall have proceeded to enforce its rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Bondholder, as the case may be, then and in every such case the City, the Authority, the Trustee and any Bondholder, as the case may be, shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the City, the Authority, the Trustee and any Bondholder shall continue as though no such proceeding had been taken.

(c) A failure by the Authority or the City to perform their respective obligations under this Agreement shall not be deemed an event of default under any other agreement entered into in connection with the issuance of the Bonds or the Indenture, and the sole remedy under this Agreement in the event of any failure by the Authority or the City to comply with this Agreement shall be as set forth in subsection 3.1(a) of this Agreement.

## ARTICLE 4

### MISCELLANEOUS

Section 4.1. Purposes of this Agreement. This Agreement is being executed and delivered by the City, the Authority and the Trustee for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2. The Authority and the Bondholders.

(a) The Authority may enforce any such right, remedy or claim conferred, given or granted hereunder in favor of the Trustee or the Holders of the Bonds.

(b) Each Bondholder is hereby recognized as being a third-party beneficiary hereunder and each may enforce, for the equal benefit and protection of all Bondholders similarly situated, any such right, remedy or claim conferred, given or granted hereunder in favor of the Trustee, to the extent permitted in Section 3.1(a) hereof.

Section 4.3. Obligations of the Authority Hereunder; Indemnified Parties. Neither the Authority nor any member, official, employee, counsel, consultant or agent of the Authority or any person executing the Bonds shall bear any obligation for the performance of any duty, agreement or covenant of the City or the Trustee under this Agreement. The obligations of the Authority under this Agreement are expressly limited to the duties of the Authority, or the Authority's Dissemination Agent, set forth herein.

The City agrees to indemnify and hold harmless the Authority, any member, officer, official, employee, counsel (including, without limitation, Bond Counsel to the Authority), consultant and agent of the Authority, including the Trustee and any of its members, officers or employees or agents or any purchaser of the Bonds (collectively, the "Indemnified Parties"), against any and all losses, claims, damages, liabilities or expenses whatsoever caused by the City's failure, or the City's Dissemination Agent's failure, to perform or observe any of the City's obligations, agreements or covenants under the terms of this Agreement, but only if and insofar as such losses, claims, damages, liabilities or expenses are caused directly or indirectly by any such failure of the City or the City's Dissemination Agent to perform. In case any action shall be brought against the Indemnified Parties based upon this Agreement and in respect of which indemnity may be sought against the City, the Indemnified Parties shall promptly notify the City in writing. Upon receipt of such notification, the City shall promptly assume the defense of such action, including the retention of counsel, the payment of all expenses in connection with such action and the right to negotiate and settle any such action on behalf of such party to the extent allowed by law. Any Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless the employment of such counsel has been specifically authorized by the City, or unless by reason of conflict of interest determined by the written opinion of counsel to any such party, it is advisable for such party to be represented by separate counsel, to be retained by the City, in which case the fees and expenses of such

separate counsel shall be borne by the City. The City shall not be liable for any settlement of any such action effected without its written consent, but if settled with the written consent of the City or if there be a final judgment for the plaintiff in any such action with or without written consent, the City agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment. Nothing in this paragraph shall require or obligate the City to indemnify or hold harmless the Indemnified Parties from or against any loss, claim, damage, liability or expense caused by any negligence, recklessness or intentional misconduct of the Indemnified Parties in connection with the City's performance of its obligations, agreements and covenants under this Agreement.

Section 4.4. Additional Information. Nothing in this Agreement shall be deemed to prevent the City or the Authority (a) from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or (b) including, in addition to that which is required by this Agreement, in the case of the City, any other information in any Annual Report and in the case of the Authority, any other information in its Annual Report or any Bond Disclosure Event Notice. If the City chooses to include any information in any Annual Report or if the Authority chooses to include any information in any Annual Report or Bond Disclosure Event Notice, in addition to that which is specifically required by this Agreement, neither the City nor the Authority shall have any obligation under this Agreement to update such information or include it in any future Annual Report or Bond Disclosure Event Notice, as the case may be.

Section 4.5. Notices. All notices required to be given or authorized to be given by each party pursuant to this Agreement shall be in writing and shall be sent by registered or certified mail (as well as by facsimile), addressed to: in the case of the City, to City of Hoboken, City Hall, 94 Washington Street, Hoboken, New Jersey 07030 (attention: Corporation Counsel); in the case of the Authority, to Hoboken Municipal Hospital Authority, City Hall, 94 Washington Street, Hoboken, New Jersey 07030 (attention: Chairperson); and in the case of the Trustee, to TD Bank, National Association, 101 Haddonfield Road, 2nd Floor, Cherry Hill, New Jersey 08002-4401 (attention: Corporate Trust Department). In addition, all notices sent to the City shall also be sent to the City's auditor and all notices sent to the Authority shall also be sent to the Authority's Bond Counsel.

Section 4.6. Assignments. This Agreement may not be assigned by any party without the consent of the others and, as a condition to any such assignment, only upon the assumption in writing of all of the obligations imposed upon such party by this Agreement.

Section 4.7. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.8. Execution of Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall

constitute but one and the same instrument. Each party hereto may sign the same counterpart or each party hereto may sign a separate counterpart.

Section 4.9. Amendments, Changes and Modifications.

(a) Except as otherwise provided in this Agreement, subsequent to the initial issuance of the Bonds and prior to their payment in full (or provision for payment thereof having been made in accordance with the provisions of the Indenture), this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties hereto.

(b) Without the consent of any Bondholders, the City, the Trustee and the Authority at any time and from time to time may enter into any amendments or modifications to this Agreement for any of the following purposes:

(i) to add to covenants and agreements of the City or the Authority hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the City or the Authority by this Agreement;

(ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or the Authority or to reflect changes in the identity, nature or status of the City or the Authority or in the business, structure or operations of the City or the Authority or any mergers, consolidations, acquisitions or dispositions made by or affecting the City or the Authority; provided that any such modification shall not be in contravention of Rule 15c2-12 as then in effect at the time of such modification; or

(iii) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Agreement which, in each case, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances;

provided, that prior to approving any such amendment or modification, the Trustee, in reliance upon an opinion of Bond Counsel to the Authority, determines that such amendment or modification does not adversely affect the interests of the Holders of the Bonds in any material respect.

(c) Upon entering into any amendment or modification required or permitted by this Agreement which materially affects the interests of the Holders of the Bonds, the Authority shall deliver to each of the Repositories written notice of any such amendment or modification.



(d) The City, the Trustee and the Authority shall be entitled to rely conclusively upon a written opinion of Bond Counsel to the Authority to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.9.

Section 4.10. Amendments Required by Rule 15c2-12. The City, the Trustee and the Authority each recognize that the provisions of this Agreement are intended to enable the compliance with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof or the promulgation of a successor rule, statute or regulation thereto, a change in this Agreement shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery of an opinion of Bond Counsel to the Authority to the effect that such amendments shall be permitted or necessary to assure continued compliance with Rule 15c2-12 as so amended or interpreted, then the City, the Trustee and the Authority shall amend this Agreement to comply with and be bound by any such amendment to this Agreement to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.9(c) hereof.

Section 4.11. Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the laws of the State and the laws of the United States, as applicable.

Section 4.12. Commencement and Termination of Continuing Disclosure Obligations. The obligations of the Authority, the City and the Trustee hereunder shall be in full force and effect from the date of issuance of the Bonds and shall continue in effect until (i) in the case of the Authority, the date the Bonds are no longer Outstanding in accordance with the terms of the Indenture and (ii) in the case of the City, the earlier of the date the Bonds are no longer Outstanding in accordance with the terms of the Indenture or the date (if any) the City's obligations under the City Guaranty are no longer outstanding (provided that the Authority delivers written notice to such effect to each National Repository or to the MSRB and to the State Repository, if any).

Section 4.13. Prior Undertakings. The City has not failed to comply in any material respect with any prior continuing disclosure undertaking made by the City, if any, in accordance with Rule 15c2-12.

Section 4.14. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the City, the Trustee and the Authority and their respective successors and assigns.

**IN WITNESS WHEREOF**, the **CITY OF HOBOKEN, IN THE COUNTY OF HUDSON, NEW JERSEY**, the **HOBOKEN MUNICIPAL HOSPITAL AUTHORITY** and **TD BANK, NATIONAL ASSOCIATION** have caused this Agreement to be executed in their respective names and their corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

[SEAL]

ATTEST:

**CITY OF HOBOKEN, IN THE  
COUNTY OF HUDSON, NEW  
JERSEY**

\_\_\_\_\_  
Name: James J. Farina  
Title: City Clerk

By: \_\_\_\_\_  
Name: George DeStefano  
Title: Chief Financial Officer

[SEAL]

ATTEST:

**HOBOKEN MUNICIPAL  
HOSPITAL AUTHORITY**

\_\_\_\_\_  
Name: Camille Corea  
Title: Secretary

By: \_\_\_\_\_  
Name: George W. Crimmins  
Title: Executive Director

[SEAL]

ATTEST:

**TD BANK, NATIONAL  
ASSOCIATION, as Trustee  
and as Dissemination Agent for  
the Authority**

\_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

## **EXHIBIT A**

### **UTILIZATION**

- Total admissions
- Total patient days
- Average length of stay
- Same day surgery procedures
- Emergency room visits
- Outpatient visits
- Newborn deliveries

### **PAYOR MIX**

- Medicare percentage of total revenue  
(excluding Medicare managed care)
- Medicaid percentage of total revenue  
(excluding Medicaid managed care)
- Private insurance percentage of total revenue  
(excluding commercial managed care)
- Other, not managed care
- Managed care percentage of total revenue

### **REVENUE BREAKDOWN**

- Gross/net patient revenues
- Gross/net inpatient revenues
- Gross/net outpatient revenue

### **EXPENSE BREAKDOWN**

- Total FTEs
- Average salary per FTE, including fringes
- Fringe benefits (percent of salary)
- Percent change in physician salaries
- Percent change in supplies and other costs
- Interest costs - explain changes in debt
- Depreciation - explain method

**EXHIBIT B**

**EXCERPT FROM FINAL OFFICIAL STATEMENT**

**EXHIBIT C-1**

**FORM OF NOTICE TO REPOSITORIES OF  
FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: The City of Hoboken, in the County of Hudson, New Jersey

Name of Bond Issue: Hoboken Municipal Hospital Authority  
\$\_\_\_\_\_ City of Hoboken Guaranteed Hospital Revenue  
Bond, Series 2008 (Federally Taxable)

Date of Issuance: \_\_\_\_\_, 2008

CUSIP Numbers:

**NOTICE IS HEREBY GIVEN** that the City of Hoboken, in the County of Hudson, New Jersey (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the "Continuing Disclosure Agreement" dated as of \_\_\_\_\_, 2008 among the City, the Hoboken Municipal Hospital Authority and \_\_\_\_\_, as Trustee and as Dissemination Agent. [The City anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

[TRUSTEE],  
as Trustee

By: \_\_\_\_\_

**EXHIBIT B-2**

**FORM OF NOTICE TO REPOSITORIES OF  
FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: Hoboken Municipal Hospital Authority

Name of Bond Issue: Hoboken Municipal Hospital Authority  
\$\_\_\_\_\_ City of Hoboken Guaranteed Hospital Revenue  
Bond, Series 2008 (Federally Taxable)

Date of Issuance: \_\_\_\_\_, 2008

CUSIP Numbers:

**NOTICE IS HEREBY GIVEN** that the Hoboken Municipal Hospital Authority (the “Authority”) has not provided an Annual Report with respect to the above-named Bonds as required by the “Continuing Disclosure Agreement” dated as of \_\_\_\_\_, 2008 among the City of Hoboken, the Authority and \_\_\_\_\_, as Trustee and as Dissemination Agent. [The Authority anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

[TRUSTEE],  
as Trustee

By: \_\_\_\_\_

**APPENDIX I**

**LOCAL GOVERNMENT SUPERVISION ACT  
N.J.S.A. 52-27BB-54 ET SEQ.**

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(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-54. Purpose of article**

**52:27BB-54. Purpose of article**

The purpose of this article is to make provision for the imposition of special restraints upon municipalities in, or in danger of falling into, unsound financial condition and in this way to forestall serious defaults upon local obligations and demoralized finances that burden local taxpayers and destroy the efficiency of local services.

L.1947, c. 151, p. 662, s. 54.

**52:27BB-55. Application of article**

The provisions of this article and sections 20 and 21 of this amendatory and supplementary act shall take effect in a municipality when any of the following conditions exists:

(1) A default exists in the payment of bonded obligations or notes for which no funds or insufficient funds are on hand and segregated in a special trust fund.

(2) Payments due and owing the State, county, school district or special district, or any of them, are unpaid for the year just closed and the year next preceding that year.

(3) An appropriation for "cash deficit of preceding year" in an amount in excess of 4% of the total amount of taxes levied upon real and personal property for all purposes in such preceding year, is required to be included in the next regular budget and was required to be included in the budget for the year just closed; provided, however, in establishing the excess, if any, over the 4% there shall first be deducted from such appropriation the amount, if any, that was caused by the failure to receive miscellaneous anticipated revenue from franchise and gross receipts taxes.

(4) Less than 70% of the total amount of taxes levied for all purposes upon real and personal property in the taxing district, in the year just closed and in the year next preceding that year, respectively, were collected during the year of levy.

(5) The appropriation required to be included in the next regular budget for the liquidation of all bonded obligations or notes exceeds 25% of the total of appropriations for operating purposes (except dedicated revenue appropriations) in the budget for the year just ended.

(6) A judicial determination of gross failure to comply with provisions of the "Local Bond Law" (N.J.S. 40A:2-1 et seq.), the "Local Budget Law" (N.J.S. 40A:4-1 et seq.) or the "Local Fiscal Affairs Law" (N.J.S. 40A:5-1 et seq.) which substantially jeopardizes the fiscal integrity of the municipality.

L.1947, c. 151, p. 663, s. 55. Amended by L.1981, c. 211, s. 1, eff. July 20, 1981.

**52:27BB-56. Determination by the board: Notice and hearing**

If the director finds in the course of his duties that any of the conditions listed in section 55 of this act exists in a municipality not subject to supervision under sections 52:27-1 to 52:27-66, inclusive, of the Revised Statutes, he shall forthwith give notice to the governing body that the question of the application of this article to that municipality will be placed before the board for its determination at a time and place which shall be stated in the notice.

The board, at the time and place stated in the notice, shall give the local governing body and any other interested parties an opportunity to be heard. If the board finds, after hearing, that any of the conditions listed in section 55 of this act exists in the municipality, it may by resolution determine that the municipality is subject to supervision pursuant to this article (C. 52:27BB-54 et seq.) and sections 20 and 21 of this amendatory and supplementary act.

The resolution shall be submitted to the Commissioner of the Department of Community Affairs, the State Treasurer and the Attorney General and shall be effective upon the approval by any two of the above cabinet officers. To remain effective, the resolution shall be renewed each year by the board and approved by two of the above named officers.

The resolution shall state for each municipality subject to supervision pursuant to this article and sections 20 and 21 of this amendatory and supplementary act, which of the provisions of this article and sections 20 and 21 of this amendatory and supplementary act are in effect within the municipality.

Thereafter, the board may modify the resolution to terminate or limit the operation of any provisions of this article, or, with the approval of any two of the above cabinet officers, to put additional provisions into effect.

Notice shall be given by registered mail to the clerk of the municipality. Upon receipt of such notice the governing body and municipal officers shall observe the provisions of this article and shall comply with all orders of the director issued under it while the municipality remains subject to its provisions.

L.1947, c. 151, p. 664, s. 56. Amended by L.1981, c. 211, s. 2, eff. July 20, 1981.

(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-57. Limitation on debt and other financial liabilities**

**52:27BB-57. Limitation on debt and other financial liabilities**

The board may require that obligations, bonded or otherwise, shall not be issued or authorized by the municipality, including school districts or any special districts except as expressly authorized by the director.

The board may require that the municipality and its special districts shall not borrow any moneys, make any purchase, enter into any arrangements or contracts requiring the expenditure of any revenues or engaging the credit of the municipality in any way or undertake any financial liabilities or indebtedness whatsoever unless expressly authorized by the director. The board shall limit those purchases and contracts requiring authorization of the director to those exceeding \$4,500.00, unless the board shall find good and sufficient cause for requiring otherwise. In any case, the board shall inform the municipal governing body, by resolution, of the types and amounts of the purchases and contracts which shall require authorization.

L.1947, c. 151, p. 665, s. 57. Amended by L.1981, c. 211, s. 3, eff. July 20, 1981.

**52:27BB-58. Limitation upon appropriations and expenditures**

The board may require that any or all expenditures and appropriations of a municipality subject to this article and sections 20 and 21 of this amendatory and supplementary act be expressly authorized by the director.

This section shall not be construed to authorize an appropriation of less than the full amount required for the payment of debt service; or to authorize the abrogation of any covenant entered into with bondholders. With the approval of the director, the municipality may exceed the spending limitations of P.L.1976, c. 68 (C. 40A:4-45.1 et seq.).

L.1947, c. 151, p. 665, s. 58. Amended by L.1981, c. 211, s. 4, eff. July 20, 1981.

**52:27BB-59. Limitations upon counties**

The provisions of section fifty-seven of this act (for the purpose of limiting the issuance of county obligations bonded or otherwise) and of section fifty-eight of this act (for the purpose of limiting the amount to be raised by taxation for county purposes) shall apply to a county when and so long as:

(1) The limitations of sections fifty-seven and fifty-eight of this act apply to three or more municipalities within the county because of the operation of section fifty-five of this act; and five or more per centum of the average of assessed valuations of taxable real property (including improvements) of the county, as stated in the annual debt statements for the preceding fiscal year (in accordance with subsection two, section 40:1-80 of the Revised Statutes) are located in each of two of such municipalities; and, in addition, either of the following exists:

(2) Fifty or more per centum of the average of assessed valuations of taxable real property (including improvements) of the county, as stated in the annual debt statements, for the preceding fiscal year (in accordance with subsection two, section 40:1-80 of the Revised Statutes) are located in such three or more municipalities, or

(3) Fifty or more per centum of the number of municipalities in the county are affected by the

limitations of sections fifty-seven and fifty-eight of this act.

The director shall give notice, and the board shall give interested parties an opportunity to be heard and shall make its determinations as to the application of this section to counties at the same time and in the same manner as required by sections fifty-six and sixty-four of this act in the case of municipalities.

L.1947, c. 151, p. 666, s. 59.

(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-60. Compliance with requirements of law**

**52:27BB-60. Compliance with requirements of law**

The director may order the governing body or an officer of a municipality subject to this article to perform any duty prescribed by law whether or not a specific penalty or enforcement procedure is provided by such law. The orders may be enforced as authorized by law. Whenever any directive of the board or director has not been fully performed or carried out by the officials or employees of the municipality, the board may perform directly or cause to be performed by its agents including the director, in the name of the municipality, such act.

The board may direct that any or all municipal officers and employees shall work under the supervision of the director to the extent that their duties and responsibilities relate to the fiscal affairs of the municipality. However, nothing herein shall infringe or supersede any supervisory powers which the Director of the Division of Taxation in the State Department of the Treasury may have.

L.1947, c. 151, p. 667, s. 60. Amended by L.1981, c. 211, s. 5, eff. July 20, 1981.

**52:27BB-61. Liquidation of debt**

The board may, under this section, authorize or direct a municipality subject to this act to liquidate or refinance its current debt pursuant to a plan.

Liquidations under this section shall be in accordance with a plan of liquidation adopted by the board. A plan so adopted and approved shall be binding upon the municipality and annual appropriations as required by the plan shall be mandatory. A plan shall not be amended except with the prior written consent of the board.

Whenever a municipality is operating under an approved plan of liquidation, the supervision of the board shall continue for the duration of the liquidation plan, notwithstanding the operation of the termination provisions in section 91 (C. 52:27BB-91).

L.1947, c. 151, p. 667, s. 61. Amended by L.1981, c. 211, s. 6, eff. July 20, 1981.

**52:27BB-62. Analysis of financial conditions**

The director may at any time, and shall if the governing body so requests, make a special analysis of the financial conditions of a municipality subject to this article. The analysis shall extend to all factors and circumstances contributing to the financial conditions of the municipality and shall if possible, recommend definite steps to be taken to correct such conditions.

L.1947, c. 151, p. 668, s. 62.

(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-63. Consultation and assistance**

**52:27BB-63. Consultation and assistance**

The director shall extend all possible consultation and assistance to municipalities subject to this article to assist in the improvement of local financial conditions.

L.1947, c. 151, p. 668, s. 63.

**52:27BB-65. Municipalities under the Municipal Finance Commission**

If a municipality subject to this act is placed under the supervision of the Municipal Finance Commission in accordance with section 52:27-2 or section 52:27-3 of the Revised Statutes, the application of this article in such municipality shall thereupon be terminated.

L.1947, c. 151, p. 669, s. 65.

**52:27BB-66. Additional powers of the board**

For the purpose of this article the board shall have, in addition to its other powers, authority to

- (1) Promulgate rules and regulations for the interpretation and administration of this article.
- (2) Require, and prescribe the form of, special reports to be made by a financial officer or governing body pertaining to the financial affairs of municipalities.
- (3) Hold hearings.

L.1947, c. 151, p. 670, s. 66.

(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-**

**66.1. Collective bargaining agreements; review and approval; arbitration awards; exclusion; appointment or dismissal of managers; auth**

**52:27BB-66.1. Collective bargaining agreements; review and approval; arbitration awards; exclusion; appointment or dismissal of managers; authority of director**

The board may provide that all collective bargaining agreements entered into during the time the municipality is subject to the provisions of this act shall be subject to the review and approval of the director. However, in any instance where negotiations on a collective bargaining agreement have reached an impasse and the matter has been submitted to an arbitrator pursuant to law, any arbitration award shall be binding without the approval of the director. In any arbitration proceeding the director shall furnish the arbitrator with a statement of the financial condition and capacity of the municipality.

The board may authorize the municipality to appoint or dismiss unclassified persons in managerial positions necessary to the rehabilitation of the financial affairs of the municipality without regard to any procedural or other statutory requirements.

The board may authorize the director to fix the hours and terms and conditions of employment for all municipal employees, and to appoint and dismiss municipal employees, to the extent permitted under the provisions of Title 11 of the Revised Statutes and of any collective bargaining agreements in effect.

L.1981, c. 211, s. 20, eff. July 20, 1981.

**52:27BB-67. Additional powers of the director**

For the purposes of this article, the director shall have, in addition to his other powers, authority to issue and enforce orders as authorized by law for other orders issued by him.

L.1947, c. 151, p. 670, s. 67.

**52:27BB-68. Construction**

This article shall be construed liberally to give effect to its intent that unsound financial conditions in municipalities shall be forestalled and corrected.

L.1947, c. 151, p. 670, s. 68.

(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-73. Supervision of revenue administration**

**52:27BB-73. Supervision of revenue administration**

If the board finds that tax assets are not being realized upon because of weak or inadequate revenue administration, it may have the director supervise and control the methods and procedures used for the assessment, collection, and enforcement of taxes upon real and personal property; and the administration of licenses and other miscellaneous revenues.

The board shall determine the specific changes in revenue administration that are necessary in the municipality. The measures determined by the board as necessary may be enforced by order of the board in the same manner as authorized for other orders of the board. But the concurrence of the Director of the Division of Taxation in the State Department of the Treasury shall be a condition precedent to the enforcement by the board of such orders as fall within the scope of the said director's supervisory powers.

L.1947, c. 151, p. 671, s. 73. Amended by L.1981, c. 211, s. 7, eff. July 20, 1981.

**52:27BB-74. Separation of assessment lists**

If the board finds that unsound fiscal conditions result in whole or in part from the continued treatment of taxes levied upon delinquent property as liquid tax assets, it may order that tax lists be prepared and used in accordance with sections seventy-five to seventy-eight, inclusive, of this act.

L.1947, c. 151, p. 672, s. 74.

**52:27BB-75. Preparation of assessment lists**

The board may require that two separate assessment lists, an active list and an inactive list, be prepared:

(1) The inactive list shall include all property on which taxes levied during the three years immediately preceding have not been paid in whole or in part.

(2) The active list shall include all other taxable property.

L.1947, c. 151, p. 672, s. 75.



(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-76. Inactive lists; preparation and effect**

**52:27BB-76. Inactive lists; preparation and effect**

(a) After the board orders the preparation of tax lists pursuant to its powers under sections seventy-four and seventy-five of this act, the collector shall for each year prepare and certify to the county board of taxation a list of all properties, real and personal, upon which no tax payments have been made during the three fiscal years immediately preceding, to be known as the "inactive list." In each municipality in which the collector is required by this section to prepare an inactive list, the assessor shall file his duplicate with the collector at least ten days before he is required to file his assessment list and duplicate with the county board of taxation. The collector shall indicate by a check mark in the left-hand margin of each page at the appropriate lines those properties which are on his inactive list. The collector shall attend before the county board of taxation upon two days' notice from the county board, but not less than ten days after the duplicate is delivered to him, and at such time he shall file with the board the assessor's duplicate, together with his complete inactive list and a true copy thereof, such list and copy to be verified by affidavit of the collector. The county board shall cause the inactive list and the copy thereof to be annexed to the appropriate tax list and duplicate, respectively.

(b) The county board of taxation shall deduct from the valuations upon the assessor's tax list and duplicate the aggregate valuations of properties appearing upon inactive lists prior to fixing and adjusting the amount of State, State school and county tax to be levied in each taxing district and prior to causing the tax rate to be entered as provided by law. The amount of tax at the rate so entered, however, shall also be extended on the tax duplicates against each assessment on the inactive lists, and shall be and remain payable and enforceable in accordance with the provisions of Title 54 of the Revised Statutes. The table of aggregates, as required by section 54:4-52 of the Revised Statutes, shall not include items appearing upon the inactive lists.

(c) Nothing in this section shall be construed to relieve an assessor of any duty or obligation otherwise imposed by law, except that an assessor shall not incur any penalty for failure to file his duplicate with the county board of taxation during such period and only so long as it is actually in the physical possession of the collector pursuant to this act.

L.1947, c. 151, p. 672, s. 76.

**52:27BB-77. Apportionment of receipts from inactive properties**

The local governing body shall cause to be paid to the county treasurer and to the custodian of school funds, at such time and in such manner as the director may prescribe, amounts collected from properties on an inactive list, less reasonable costs of collection, in the proportion that the amounts levied for State, State school, county and school district purposes, respectively, during the fiscal year of such collections bore to the total levy for all purposes upon real and personal property within the municipality.

L.1947, c. 151, p. 673, s. 77.

**52:27BB-78. Rate of tax collections**

The rate of tax collections for whatever purpose used, shall be computed as the percentage that all tax collections were of amounts levied against both active and inactive lists.

L.1947, c. 151, p. 673, s. 78.

(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-79. Notice of proceedings of county tax board**

**52:27BB-79. Notice of proceedings of county tax board**

The county board of taxation shall not revise, correct or equalize the assessed value of property in a municipality to which the provisions of sections sixty-nine to ninety-one, inclusive, of this act, apply, nor shall the county board hear or determine an appeal concerning an assessment in such a municipality, without first giving at least five days' notice in writing to the director so that the board or its representative may be heard as a party in interest in behalf of the State.

L.1947, c. 151, p. 674, s. 79.

**52:27BB-80. Fiscal control officer**

The board may recommend to the local governing body that a fiscal control officer be appointed. If the board recommends the appointment of an officer, it shall submit to the governing body the names of not less than three persons who are found by the board to be qualified to perform the duties of officer for that municipality. The governing body shall, thereupon, appoint as officer one of the persons so named.

The officer shall receive compensation for his services to be paid out of the funds of the municipality in an amount fixed by the governing body and approved by the board. He shall give bond for the faithful performance of his duties in an amount fixed by the governing body and approved by the board. An officer shall continue his employment until his services are terminated by the governing body, with the approval of the board.

L.1947, c. 151, p. 674, s. 80. Amended by L.1981, c. 211, s. 8, eff. July 20, 1981.

**52:27BB-81. Fiscal control officer; powers and duties**

An officer shall have such of the powers and duties of the director in sections 57 and 58 and 82 to 87 inclusive, of this act, as are specifically assigned to him by the board. An officer shall exercise his powers and perform his duties under the general supervision of the director.

L.1947, c. 151, p. 674, s. 81. Amended by L.1981, c. 211, s. 9, eff. July 20, 1981.

(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-82. Administration of assets and liabilities**

**52:27BB-82. Administration of assets and liabilities**

If the board finds the unsound financial conditions in the municipality are due in whole or in part to failure to liquidate old liabilities, excluding those covered by section 61 (C. 52:27BB-61), it may authorize the director to liquidate any or all of the municipality's liabilities which are due and unpaid for more than 2 years and all of its unrealized assets which have been outstanding for 2 years, computed in the case of taxes and assessments from December 1 of the year of levy or assessment, other intangible property from the date of accrual, and tangible property from the date of acquisition of title. The several officers of the municipality shall thereafter, immediately upon request by the director, certify to him all assets and liabilities of the municipality which have been placed under his administration pursuant to this section and shall at the same time deliver to him all evidence and records of the existence and legality of such assets and liabilities as may be in their possession or control.

The director shall exercise in the name of the municipality, all powers pertaining to the enforcement of obligations that are vested by law in the municipality. But the director shall have a no power to accept less than the full amount in satisfaction of the obligations, nor to agree to the transfer of title of property to the municipality in lieu thereof without the prior approval of the governing body. The director shall forthwith pay all moneys coming into his hands to the treasurer.

L.1947, c. 151, p. 675, s. 82. Amended by L.1981, c. 211, s. 10, eff. July 20, 1981.

**52:27BB-83. Liquidation fund**

In a municipality not operating on a full cash basis, the treasurer shall place such moneys, paid to him pursuant to section 82 of this act, in a separate "liquidation fund." The director may apply the proceeds of the "liquidation fund" to the payment of obligations placed under his administration.

L.1947, c. 151, p. 675, s. 83. Amended by L.1981, c. 211, s. 11, eff. July 20, 1981.

**52:27BB-84. Study of cooperative agreements**

The director when so instructed by the board shall fully investigate and determine the possibilities of maintaining the services of the municipality at lower cost through the use of contractual agreements with other municipalities or with the county. He shall report his conclusions to the governing body and to the board. When so designated by the board, he shall act as the agent of the municipality in the negotiation of agreements with other jurisdictions.

L.1947, c. 151, p. 676, s. 84. Amended by L.1981, c. 211, s. 12, eff. July 20, 1981.

(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-85. Director may act as controller**

**52:27BB-85. Director may act as controller**

If the board finds that sound fiscal conditions will be promoted by the exercise of a control function in the municipality and that the function is not, or cannot be, maintained in a practical manner by regular local officers, the board may instruct the director to perform the control function.

L.1947, c. 151, p. 676, s. 85. Amended by L.1981, c. 211, s. 13, eff. July 20, 1981.

**52:27BB-86. Procedure of control**

The board may prescribe the procedure to be followed in each municipality in which the director is authorized and directed to exercise the control function. The board shall prescribe a procedure that so far as possible will restrict expenditures and commitments for expenditures to actual cash available and will safeguard the payment of commitments and regular expenses.

L.1947, c. 151, p. 676, s. 86. Amended by L.1981, c. 211, s. 14, eff. July 20, 1981.

**52:27BB-87. Preparation of budgets**

The director shall fix a date for the municipal governing body to submit its proposed annual budget to the board. The board may approve the budget, modify it or instruct the director to prepare an alternative budget to be submitted to the board for its approval. Once a budget is approved by the board, it shall be deemed adopted.

Nothing in this act shall limit the power of the chief administrative officer of the municipality and the municipal governing body pursuant to law in consultation with the director to determine within funds available in its annual budget the purposes for which expenditures are to be made by the municipality and the amounts of those expenditures, subject to law and the general requirements imposed by the board on the financial affairs of the municipality.

The board may approve a budget which exceeds the spending limitations of P.L.1976, c. 68 (C. 40A:4-45.1 et seq.).

If the board finds that the appropriation of the amounts required for "deferred charges and statutory expenditures" other than debt service, cannot be made without a probable increase in the cash deficit, the board may authorize by written order an appropriation of less than the full amount required for "deferred charges and statutory expenditures" but not less than the greatest amount that the board finds possible without an anticipated increase in the cash deficit. If a liquidation fund has been created in the municipality, in accordance with section 83 of this act, the board may authorize the appropriation to be made to the liquidation fund in lieu of that for "deferred charges and statutory expenditures."

This section shall not be construed to authorize the appropriation of less than the full amount required for the payment of debt service, for a judgment, or for any other item for which the municipality is obligated by contract to appropriate a specific sum.

L.1947, c. 151, p. 676, s. 87. Amended by L.1981, c. 211, s. 15, eff. July 20, 1981.

(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-88. Fiscal control officer agent of board**

**52:27BB-88. Fiscal control officer agent of board**

The fiscal control officer appointed pursuant to section 80 shall perform as the agent of the director such duties with respect to the fiscal affairs of the municipality as the director in the exercise of his powers, may require.

L.1947, c. 151, p. 677, s. 88. Amended by L.1981, c. 211, s. 16, eff. July 20, 1981.

**52:27BB-89. General duties of board**

The board shall exercise its powers, shall offer guidance and assistance, and shall in every other respect promote the rehabilitation of the financial affairs of the municipality.

L.1947, c. 151, p. 677, s. 89. Amended by L.1981, c. 211, s. 17, eff. July 20, 1981.

**52:27BB-90. Delegation of powers to director**

The powers and duties vested by this act in the board may be exercised by the director under the supervision of the board when so authorized by resolution of the board.

L.1947, c. 151, p. 677, s. 90. Amended by L.1981, c. 211, s. 18, eff. July 20, 1981.

(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-91. Termination of supervision**

**52:27BB-91. Termination of supervision**

State supervision of a municipality pursuant to this act shall cease if: (1) the resolution placing the municipality under State supervision has not been renewed in accordance with section 56, or (2) the conditions listed in section 55 of this act have ceased and the municipality has operated during the last fiscal year without incurring a cash deficit (as computed in the manner provided by N.J.S 40A:4-42).

When the director finds that none of the conditions listed in section 55 of this act have existed for the period of 1 year in a municipality subject to this article, and he finds that the municipality operated during the last fiscal year without incurring a cash deficit (as computed in the manner provided by N.J.S. 40A:4-42) he shall give notice to the local governing body that the question of the application of this article to that municipality will be placed before the board for its determination at a time and place which shall be stated in the notice.

The board, at the time and place stated in the notice, shall, after giving the local governing body and other interested parties an opportunity to be heard, determine whether any of the conditions listed in section 55 (C. 52:27BB-55) continues to exist in the municipality, and whether the municipality operated during the last fiscal year without incurring such cash deficit. If the board finds that such conditions have not existed for the period of 1 year, and that the municipality operated during said year without incurring such cash deficit, it shall, by resolution, determine that the provisions of this article will no longer be in effect in the municipality.

The director shall forthwith certify to the governing body that the provisions of this article no longer affect that municipality.

Notice shall be given by registered mail to the clerk of the municipality.

L.1947, c. 151, p. 678, s. 91. Amended by L.1981, c. 211, s. 19, eff. July 20, 1981.

**52:27BB-95.1. Reimbursement of state by municipality for reasonable value of services**

Subject to the inclusion in the annual State appropriations act of an amount of anticipated revenues from that source, the State shall be reimbursed by the municipality for the reasonable value of services which it provided to the municipality pursuant to this act.

L.1981, c. 211, s. 21, eff. July 20, 1981.

**52:27BB-96. Application of act**

This act shall not be deemed to affect any provision of chapter one hundred twelve of the laws of one thousand nine hundred and forty-four, nor any matter or proceeding pending before the director or the board at the time this act takes effect. This act shall not be deemed to require any reorganization of the board or of any advisory committee, nor the reappointment or redesignation of any officer or employee of the division. Each officer and employee of the division shall retain any and all rights and privileges pertinent to his status in the service of the State and, especially, with respect to the civil service and any pension or retirement law applicable to him.

L.1947, c. 151, p. 680, s. 96.

(UPDATED THROUGH P.L. 2008, ch. 69 and J.R.3)

**TITLE 52 STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**

**52:27BB-97. Repeal of sections of the Revised Statutes**

**52:27BB-97. Repeal of sections of the Revised Statutes**

Sections 52:24-11, 52:24-19 and 52:24-19.1 of the Revised Statutes are repealed.

L.1947, c. 151, p. 680, s. 97.

**52:27BB-98. Repeal of acts; proviso**

The following parts of acts, acts, and acts amendatory thereof or supplemental thereto are repealed:

Sections one to sixteen, inclusive, and sections eighteen to thirty-four, inclusive, of "An act creating a State Department of Local Government, prescribing its powers and duties, and transferring to it certain powers and duties vested in the State Auditor," approved May ninth, one thousand nine hundred and thirty-eight (P.L.1938, c. 158); "An act concerning fiscal administration in local governments of the State, and repealing sections 52:24-12 to 52:24-18, inclusive, and 52:24-20 to 52:24-27, inclusive, of the Revised Statutes," approved May ninth, one thousand nine hundred and thirty-eight (P.L.1938, c. 159); "An act concerning the supervision, by the State Department of Local Government, over certain municipalities in the State," approved May fifth, one thousand nine hundred and thirty-eight (P.L.1938, c. 127); "An act relating to the limitation of school debt and appropriations in school districts within municipalities subject to the provisions of an act entitled "An act concerning the supervision, by the State Department of Local Government, over certain municipalities in the State," approved May fifth, one thousand nine hundred and thirty-eight; and supplementing sections 18:6-50, 18:6-51, 18:6-53, 18:6-61, 18:6-62, 18:7-78, 18:7-79, 18:7-82, 18:7-83, 18:7-85, 18:7-86 and 54:4-45 of the Revised Statutes," approved July eighteenth, one thousand nine hundred and thirty-nine (P.L.1939, c. 265); "An act to amend the title of an act entitled "An act concerning the supervision, by the State Department of Local Government, over certain municipalities in the State," approved May fifth, one thousand nine hundred and thirty-eight, constituting chapter one hundred twenty-seven of the laws of one thousand nine hundred and thirty-eight; and to amend and supplement said act," approved October twenty-fifth, one thousand nine hundred and thirty-nine (P.L.1939, c. 364); "A supplement to an act entitled "An act concerning the supervision, by the State Department of Local Government, over certain political subdivisions in the State," approved May fifth, one thousand nine hundred and thirty-eight (P.L.1938, c. 127), as said title was amended by pamphlet laws of one thousand nine hundred and thirty-nine, chapter three hundred sixty-four," approved April twenty-eighth, one thousand nine hundred and forty-one (P.L.1941, c. 75); and "An act to amend an act entitled "An act concerning the supervision by the State Department of Local Government, over certain political subdivisions in the State," approved May fifth, one thousand nine hundred and thirty-eight (P.L.1938, c. 127), as heretofore amended and supplemented by chapter three hundred sixty-four of the laws of one thousand nine hundred and thirty-nine," approved April thirtieth, one thousand nine hundred and forty-one (P.L.1941, c. 95); provided, however, that this section shall not be deemed to revive any act which was repealed by any of said enumerated acts.

L.1947, c. 151, p. 680, s. 98.

**52:27BB-99. Severability clause**

The provisions of this act shall be construed as severable and if any part is held unconstitutional, or for any other reason invalid, the remaining parts shall not be affected thereby.

L.1947, c. 151, p. 682, s. 99.

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**APPENDIX J**

**LOCAL FINANCE BOARD RESOLUTION DATED SEPTEMBER 10, 2008  
WITH RESPECT TO THE LOCAL FINANCE BOARD'S ACTIONS  
UNDER THE LOCAL GOVERNMENT  
SUPERVISION ACT CONCERNING THE CITY OF HOBOKEN**

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**State of New Jersey**  
DEPARTMENT OF COMMUNITY AFFAIRS

JON S. CORZINE  
*Governor*

JOSEPH V. DORIA, JR.  
*Commissioner*

**RESOLUTION OF THE LOCAL FINANCE  
BOARD WITH REGARD TO THE APPLICATION  
OF ARTICLE 4 OF THE LOCAL GOVERNMENT  
SUPERVISION ACT TO THE CITY OF  
HOBOKEN IN THE COUNTY OF HUDSON**

**WHEREAS**, under Article 4 of the Local Government Supervision Act of 1947, P.L. 1947, c. 151, as amended by P.L. 1981, c. 211 and set forth at N.J.S.A. 52:27BB-54 et seq., the Local Finance Board and the Director of the Division of Local Government Services may, subject to the approval of certain cabinet officers, assume and exercise supervision over the financial affairs of a municipality in unsound financial condition under specific conditions set forth in N.J.S.A. 52:27BB-55 and in accordance with the procedures set forth in N.J.S.A. 52:27BB-56; and

**WHEREAS**, the Director of the Division of Local Government Services has found that certain conditions exist in the City of Hoboken which substantially jeopardize the fiscal integrity of that municipality; and

**WHEREAS**, these conditions have arisen as a result of gross failure on the part of the City of Hoboken to comply with the provisions of the Local Budget Law, N.J.S.A. 40A:4-1 et seq.; and

**WHEREAS**, one of the conditions set forth in N.J.S.A. 52:27BB-55 which would authorize the Local Finance Board and the Director of the Division of Local Government Services to assume supervision of the financial affairs of such a municipality is a judicial determination of gross failure to comply with the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., the Local Budget Law, N.J.S.A. 40A:4-1 et seq., or the Local Fiscal Affairs Law, N.J.S.A. 40A:5-1 et seq., which failure substantially jeopardizes the fiscal integrity of the municipality; and



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City of Hoboken  
September 10, 2008

**WHEREAS**, to properly effect the application of the aforementioned Act to the City of Hoboken, the Director of the Division of Local Government Services has filed a Verified Complaint on July 16, 2008 in the Superior Court of New Jersey to institute a proceeding to obtain a judicial determination that there has been gross failure on the part of the City of Hoboken to comply with the provisions of the Local Budget Law, N.J.S.A. 40A:4-1 et seq., which substantially jeopardizes the fiscal integrity of the City; and

**WHEREAS**, by the entry of a Consent Order dated August 14, 2008 (a copy of which is attached hereto), the Honorable Maurice J. Gallipoli, A.J.S.C., has determined that a gross failure has occurred on the part of the City of Hoboken to comply with the provisions of the Local Budget Law, N.J.S.A. 40A:4-1 et seq., which failure has substantially jeopardized the fiscal integrity of the City; and

**WHEREAS**, since such a judicial determination is one of the conditions specified under the Act, and more specifically N.J.S.A. 52:27BB-55(6) and N.J.S.A. 52:27BB-56, which authorizes the application of the Act to the City, the Director of the Division of Local Government Services has, pursuant to N.J.S.A. 52:27BB-56, brought before the Local Finance Board the question of the application of Article 4 of the Local Government Supervision Act of 1947, P.L. 1947, c. 151, as amended by P.L. 1981, c. 211 and set forth as N.J.S.A. 52:27BB-54 et seq., to the City of Hoboken; and

**WHEREAS**, in accordance with N.J.S.A. 52:27BB-56, the Director of the Division of Local Government Services has given notice to the governing body of the City of Hoboken of the time and place at which this question has been placed before the Local Finance Board; and

**WHEREAS**, representatives of the City of Hoboken have appeared before the Local Finance Board on September 10, 2008 at which time this question has been considered by the Local Finance Board; and

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**WHEREAS**, the Local Finance Board has provided the City of Hoboken, through its representatives, as well as other interested parties with an opportunity to be heard with regard to the question of the application of Article 4 of the Local Government Supervision Act to the City; and

**WHEREAS**, there does exist a judicial determination that gross failure to comply with provisions of the Local Budget Law has occurred in the City of Hoboken which failure substantially jeopardizes the City's fiscal integrity; and

**WHEREAS**, it appears to the Local Finance Board, in light of the aforementioned and other circumstances which have been presented to the Local Finance Board during its hearing on this question, that the application of the aforementioned Article 4 of the Local Government Supervision Act to the City of Hoboken is necessary, warranted and desirable; and

**WHEREAS**, the Local Finance Board is empowered by Article 4 of the Local Government Supervision Act, and specifically N.J.S.A. 52:27BB-55 of the Act, to determine by resolution that a municipality is to be subject to the supervision of the Local Finance Board and the Director of the Division of Local Government Services under this Article subject to the approval of such resolution by two of the following three cabinet officers - the Commissioner of the Department of Community Affairs, the State Treasurer and the Attorney General; and

**WHEREAS**, the Local Finance Board is also authorized and required by N.J.S.A. 52:27BB-56 of the Act to expressly set forth in any resolution which it may adopt for the purpose of placing a municipality under the supervision of Article 4 of the Local Government Supervision Act those specific provisions of this Article which set forth certain powers which the Board and the Director may exercise in the municipality and which the Local Finance Board has determined should be in effect in that municipality; and

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City of Hoboken  
September 10, 2008

**WHEREAS**, in light of the record before the Local Finance Board in this matter, the Local Finance Board believes that the following provisions of the Act should be placed in effect in the Township: N.J.S.A. 52:27BB-57; N.J.S.A. 52:27BB-58; N.J.S.A. 52:27BB-60; N.J.S.A. 52:27BB-61; N.J.S.A. 52:27BB-62; N.J.S.A. 52:27BB-66; N.J.S.A. 52:27BB-66.1; N.J.S.A. 52:27BB-73; N.J.S.A. 52:27BB-74; N.J.S.A. 52:27BB-75; N.J.S.A. 52:27BB-76; N.J.S.A. 52:27BB-77; N.J.S.A. 52:27BB-78; N.J.S.A. 52:27BB-79; N.J.S.A. 52:27BB-80; N.J.S.A. 52:27BB-81; N.J.S.A. 52:27BB-82; N.J.S.A. 52:27BB-83; N.J.S.A. 52:27BB-84; N.J.S.A. 52:27BB-85; N.J.S.A. 52:27BB-86; N.J.S.A. 52:27BB-87; N.J.S.A. 52:27BB-88; N.J.S.A. 52:27BB-89; and N.J.S.A. 52:27BB-90; and

**NOW, THEREFORE, BE IT RESOLVED** by the Local Finance Board this 10<sup>th</sup> day of September, 2008 that it finds that a judicial determination has been made pursuant to N.J.S.A. 52:27BB-55(6) that gross failure to comply with the provisions of the Local Budget Law, N.J.S.A. 40A:4-1 et seq., has occurred in the City of Hoboken and that such gross failure has substantially jeopardized the fiscal integrity of the City; and

**BE IT THEREFORE FURTHER RESOLVED** that the Local Finance Board has determined that the City of Hoboken shall be and is hereby subject to supervision pursuant to Article 4 of the Local Government Supervision Act of 1947, P.L. 1947, c. 151, as amended by P.L. 1981, c. 211, and set forth at N.J.S.A. 52:27BB-54 et seq.; and

**BE IT FURTHER RESOLVED** that such supervision shall continue until properly terminated pursuant to the provisions of the Article; and

**BE IT FURTHER RESOLVED** that each and every mandatory provision of this Article shall immediately be in effect in the City of Hoboken pursuant to the adoption of this resolution; and

**BE IT FURTHER RESOLVED** that the provisions of N.J.S.A. 52:27BB-57; N.J.S.A. 52:27BB-58; N.J.S.A. 52:27BB-60; N.J.S.A. 52:27BB-61; N.J.S.A. 52:27BB-62; N.J.S.A. 52:27BB-66; N.J.S.A. 52:27BB-66.1; N.J.S.A. 52:27BB-73; N.J.S.A. 52:27BB-74; N.J.S.A. 52:27BB-75; N.J.S.A. 52:27BB-76; N.J.S.A. 52:27BB-77; N.J.S.A. 52:27BB-78; N.J.S.A. 52:27BB-79; N.J.S.A. 52:27BB-80; N.J.S.A. 52:27BB-81; N.J.S.A. 52:27BB-82; N.J.S.A. 52:27BB-83; N.J.S.A. 52:27BB-84; N.J.S.A. 52:27BB-85; N.J.S.A. 52:27BB-86; N.J.S.A. 52:27BB-87; N.J.S.A. 52:27BB-88; N.J.S.A. 52:27BB-89; and N.J.S.A. 52:27BB-90 shall be placed in effect in the City of Hoboken; and

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**BE IT FURTHER RESOLVED** that this resolution shall be subject to the approval of the Commissioner of the Department of Community Affairs, the State Treasurer, and the Attorney General and that it shall become effective immediately upon the endorsement of the approval of any two of these cabinet officers below.

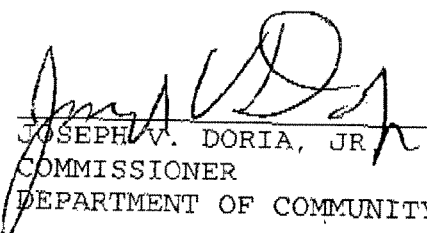
LOCAL FINANCE BOARD  
DEPARTMENT OF COMMUNITY AFFAIRS

SEAL

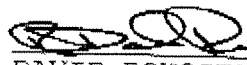
By: 

SUSAN JACOBUCCI, CHAIR  
LOCAL FINANCE BOARD


I hereby approve the adoption of the above resolution.

  
JOSEPH V. DORIA, JR.  
COMMISSIONER  
DEPARTMENT OF COMMUNITY AFFAIRS

Date: 9/10/08

  
DAVID ROUSSEAU  
STATE TREASURER

Date: 9-10-08

  
ANNE MILGRAM  
ATTORNEY GENERAL OF NEW JERSEY

Date: 9-11-08