

July 2004

A MESSAGE FROM THE GOVERNOR

Dear Friends,

We continue to make the health and welfare of the citizens of the State one of the forefront issues of my Administration.

Strengthening our drive to lead the nation in cancer research and response, I asked our State leaders to fight breast cancer for the women of New Jersey. Women whose mothers or sisters have been afflicted with breast cancer are twice as likely to get the disease, therefore, I have asked the State Legislature to require insurance companies to cover mammograms for women under forty with a history of breast cancer and a recommendation from their doctor.

We also continue to support New Jersey's leading role in stem cell research. Diabetes, Parkinson's Disease, Alzheimer's, ALS, cancer and spinal cord injuries all look to benefit from miracles unleashed through stem cell research. My Administration is proud to be at the forefront of groundbreaking policy innovations that permit such science.

In addition, as part of our commitment to ensure that our families stay healthy, I have launched the "Healthy Families Forum" on the State's online discussion portal, www.buildabetternj.org. This forum provides valuable information on New Jersey health issues, including links that allow readers to calculate their mass body index and check the daily air quality conditions.

The Authority also contributes to the State's health care leadership goals. *The Financing Authority Summit*, organized by the NJHCFFA, brought together New Jersey health care executives and their banking counterparts. Building trust between the two industries provides New Jersey's health care facilities with better access to much needed financial resources. I thank the Authority for giving me the opportunity to show my support for New Jersey's health care institutions and their financial futures. □

DISCLOSURE OPTIONS INCREASE IN THE MUNI MARKET

A Central Post Office (CPO), designed to serve as a one-stop filing place for issuers' secondary market disclosure documents, plans to begin accepting disclosure documents on July 1, 2004. Created by the Muni Council, a group of 19 municipal market participants working to improve secondary market disclosure, the CPO will improve the way the documents have been indexed at the existing nationally recognized municipal securities information repositories (NRMSIRs) and state information depositories (SIDs).

Charged with the task of improving muni market continuing disclosure practices and identifying problems with the NRMSIR system, members of the Muni Council began meeting in January of 2001. After several meetings, the Muni Council requested that the SEC adopt a "central post office" to:

- Allow issuers to file only in one place to meet the 15c2-12 requirements;
- Establish a voluntary "tickler" to notify issuers of their filing requirements;

(continued on page 2)

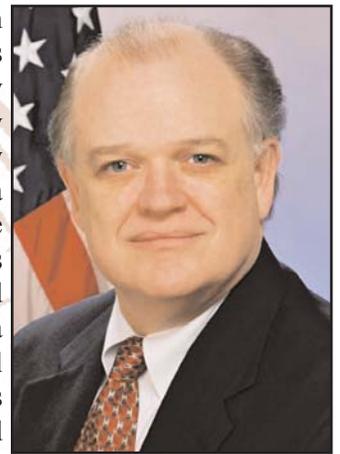


Governor James E. McGreevey speaking at The Financing Authority Summit

JAMES DAVY: NEW AUTHORITY BOARD MEMBER

On Monday March 22, 2004, the appointment of James M. Davy as Commissioner of the Department of

Human Services was unanimously confirmed by the New Jersey State Senate. As a result, he is the Authority's newest board member, a position he will hold during his tenure as head of the department.



James M. Davy, Commissioner of Human Services

Mr. Davy served as Chief of Management and Operations in the Office of the Governor where he developed the Administration's policy agenda, restructured New Jersey's school construction program, directed labor negotiations and coordinated the State response to heightened terrorism concerns.

Before joining State government, Mr. Davy served as Business Administrator in Woodbridge Township for 10 years and held similar positions in S. Brunswick, Hopewell and West Milford. He also served as President of the New Jersey Municipal Management Association and as Chairman of the Governmental Affairs and Public Policy Committee for the International City Management Association, in addition to his involvement with the New Jersey State League of Municipalities between 1978 and 2001.

Mr. Davy earned his Master's degree in Public Administration from the Maxwell *(continued on page 2)*

MESSAGE FROM THE DEPUTY EXECUTIVE DIRECTOR

"To improve is to change, to perfect is to change often."

-Winston Churchill

If the above quote by Mr. Churchill holds any truth, then the Authority is on its way to being better than ever. Over the past couple of months, the Authority has seen a substantial turnover in its key players, with the exit of Executive Director Michael Kornett, the appointment of new ex-Officio Member James Davy, and the nomination of two other potential new Members. While one would expect this transition to disrupt the Authority agenda, our staff has remained steadfast and driven so as not to permit any detraction from business as usual. We look forward to meeting our new Members and executive director.

In the meantime, I applaud our employees for working diligently to assure a smooth transition, while continuing their day-to-day activities. In spite of the executive director vacancy, staff continued the financing process and post-financing activities with numerous health care providers, and followed through with the presentation of the first Financing Authority Summit.

In industry news, recent events indicate that upward movements in interest rates are likely. Long-term tax-exempt rates have moved off their lows. The Authority is prepared to work with our borrowers, and their other advisors, to analyze new structures and investment vehicles that could help to offset the added interest rate cost.

We have begun to receive financial information covering 2003, and it is already clear that last year was a difficult one for many of our borrowers. While we have seen an occasional rating upgrade, downgrades are more likely. Authority staff is available to any borrower that would like to discuss strategy concerning rating agency presentations or appropriate and complete disclosure requirements.

In addition, compliance with existing covenant requirements is a timely topic at this point in the year. I encourage any borrower that expects compliance to be problematic to contact the Authority staff as early as possible to limit the impact on day-to-day operations. □

DISCLOSURE OPTIONS TO INCREASE

(continued from page 1)

→Provide a guaranteed delivery mechanism to forward document submissions to NRMSIRs, with a return receipt sent to the issuer;

→Keep a searchable index of document submissions; and,

→Provide an all-electronic, virtually no-cost system.

Upon implementation, the CPO will collect issuers' disclosure documents and immediately transmit them to the NRMSIRs and SIDs with indexing CUSIP numbers. It is important to note that the CPO will not replace the NRMSIRs nor will it replace the value-added services provided by dissemination agents such as DAC.

The role of the CPO is to deliver the information to the NRMSIRs while creating a complete and useful listing of filings, thereby ensuring compliance with 15c2-12. It is not designed to provide access to those filed documents, as may be provided by dissemination agents. Viewing capability at the NRMSIRs will not change for the investors, who will still be required to access documents through the individual repository sites or dissemination agent sites. Those who subscribe to dissemination agents will simply direct their agents to include the CPO in any distribution of disclosure documents.

For those who currently file paper copies to the NRMSIRs, the CPO will eliminate the manual effort, saving time and money. The borrowers will still be responsible for verifying that the filings were posted accurately on the NRMSIR sites.

The Authority has been helping borrowers prepare for the new system. In June, staff issued a survey to the all the disclosure filers of the Authority's borrowers. The survey helped assess the percentage of borrowers who currently file electronically. Those that do not yet e-file were asked if they maintain documents in electronic format and, if not, would it be difficult to convert them.

So far the response has been positive. "Most of the hospitals already have electronic documents and are optimistic

about electronic filing," says Susan Tonry, Assistant Director of Operations and Compliance Manager for the Authority.

If you have any questions regarding the new system, call Steve Fillebrown, Director of Research and Investor Relations or Susan Tonry at the Authority, (609) 292-8585. □

JAMES DAVY

(continued from page 1)

School of Citizenship and Public Affairs from Syracuse University and his Bachelor's degree from Thiel College in Pennsylvania.

As Commissioner of the Department of Human Services, Mr. Davy succeeds Commissioner Gwendolyn L. Harris, who announced her resignation in December to accept a position as Director of the New Jersey Urban Development Project at the Edward J. Bloustein School of Planning and Public Policy at Rutgers University. □

FINANCING NOTES

On January 22, 2004, the Authority completed a \$65,300,000 bond issue on behalf of **Underwood Memorial Hospital** ("Underwood"), a nonprofit acute-care hospital located in Woodbury, New Jersey, serving the primary care medical needs of portions of Gloucester, Camden and Salem counties.

The proceeds of the financing will fund a major capital expansion and redevelopment initiative, including: a large-scale redevelopment of the Department of Emergency Medicine; a significant transformation to the Department of Physical Medicine and Rehabilitation; an enhancement of the ambulatory surgery unit to provide additional beds; increased imaging services through renovations; the reopening of 17 medical surgical beds in a renovated patient care unit; and, the enhancement of patient and staff parking facilities. A portion of the

Artist's rendering of the new parking facility at Underwood Memorial Hospital



(continued in next column)

NJHCFFA '04 BONDS ISSUED

2004 Completed Bond Issues	Issue Structure	Par Amount
Underwood-Memorial Hospital	Two tranches: Both 7-day auction rate	\$65,300,000
Hackensack University Medical Center	Two tranches: 7-day and 35-day auction rates	\$150,000,000
Atlantic Health System	Taxable bonds in 7-day PARS auction rate mode	\$26,300,000
Bayshore Community Hospital	COMP V Program: weekly variable rate	\$8,000,000
Beth Israel Hospital Assoc. of Passaic	COMP V Program: weekly variable rate	\$13,300,000
Meridian Nursing & Rehab. at Red Bank	COMP V Program: weekly variable rate	\$14,725,000
South Jersey Hospital, Inc.	COMP V Program: weekly variable rate	\$15,075,000
Total 2004 Debt Issued through July 1, 2004:		\$292,700,000

Series 2004 Bonds will also be used to pay the redemption price of outstanding Series B Bonds issued in 1993.

The Underwood bonds are insured by Ambac, and the interest rate for the "AAA" rated bonds will be reset every seven days through an auction. The bonds were split into two tranches, one maturing in 2023 totaling \$34,400,000 and the second maturing in 2033 for \$30,900,000. The multiple tranches give Underwood additional flexibility to respond to future interest rate trends. Underwood's interest rates debuted at 0.7%.

On February 26, the Authority was pleased to close a \$150,000,000 bond issuance on behalf of **Hackensack University Medical Center** ("HUMC"). As a teaching and research hospital affiliated with the University of Medicine and Dentistry of New Jersey - New Jersey Medical School, HUMC is the largest provider of inpatient and outpatient services in the state of New Jersey. The proceeds of the bond issue will be used to construct the Women's and Children's Pavilion and parking garage, to renovate and improve portions of existing facilities, and to purchase capital equipment.



Rendering of the Women's and Children's Pavilion at Hackensack University Medical Center

Continuing the trend of multiple-tranche transactions, the HUMC bonds were issued in four different tranches, all structured as auction rate securities. Initially, two of the

tranches are structured in a 7-day mode while the other two are in a 35-day mode. This variety in interest rate periods, again, allows HUMC more flexibility to react to changes in the interest rate market.

Investors showed significant enthusiasm for the issue. There were over \$195 million total orders, most of which came from New Jersey residents and corporations. The initial rates on the bonds were 0.7% for the \$75 million in the weekly mode and 0.8% for the \$75 million in the 35-day mode.

In May, the Authority approved a contingent bond sale on behalf on four borrowers through its Variable Rate Composite Program ("COMP"). The borrowers included in this fifth tranche of the program are: **Bayshore Community Hospital, Beth Israel Hospital Association of Passaic, Meridian Nursing & Rehabilitation at Red Bank, Inc., and South Jersey Hospital, Inc.**

In the COMP program, designed to lower the costs of issuance for smaller borrowings, bond documents are standardized and bonds can be marketed for more than one borrower at a time, thereby reducing the costs. A separate series of bonds is issued for each COMP borrower. This COMP transaction consisted of four issues, totaling \$51,100,000.

The Authority also approved a contingent sale on behalf of **Atlantic Health System** ("AHS") for a \$26,300,000 taxable bond financing. The proceeds will currently refund the remaining Series 1997 B Periodic Auction Rate Securities, which were used to acquire The General Hospital Center at Passaic

If you would like more information on an Authority issue or financing program, please visit the Authority's website <http://www.state.nj.us/njhcffa/>. □

MALPRACTICE REFORM LAW SIGNED

In June, after more than two years of statewide negotiation, Governor James E. McGreevey signed the New Jersey Medical Care Access and Responsibility and Patients First Act, a compromise bill to protect patients' rights and restrict the rising cost of malpractice insurance. By establishing a three-year subsidy fund, the plan helps eligible doctors to pay premiums and enacts certain legal reforms.

The new Act:

- charges doctors, lawyers and other professionals \$75/year and employers \$3 per worker;
- allots approximately \$17 million annually to doctors with the highest premium increases, \$7 million to hospitals, \$1.2 million to register pregnant women in Family-Care, and \$1 million to help obstetrics and gynecology students pay back student loans;
- expands the Good Samaritan Act to cover doctors responding to emergencies;
- tightens legal requirements and restrictions for malpractice lawsuits;
- obliges insurance companies to offer lower-cost policies to physicians who form purchasing alliances or agree to pay a high deductible; and,
- establishes a 17-member Medical Care Availability Task Force to examine the problems of and possible solutions to high medical malpractice insurance costs. □

“NEW” JERSEY CITY MEDICAL CENTER OPENS ITS DOORS

The Jersey City Medical Center ("JCMC") has relocated and opened its doors for business in the state's first new replacement hospital in over two decades. The Authority is pleased to have provided funding for the new construction.

In September of 2001, the Authority closed on a \$200,000,000 bond deal, issued on behalf of JCMC to erect a new replacement hospital. The project would enable the massive JCMC to leave behind its outdated historic *(continued on page 6)*

NJHCFFA STAFF NOTES

PIOTROWSKI: CERTIFIED HUMAN RESOURCES PROFESSIONAL

Robin Piotrowski, Human Resources Manager for the Authority, was recently awarded certification as a Professional in Human Resources.



Robin Piotrowski, HR Certified

The certification, granted by the Human Resource Certification Institute (HRCI), signifies superlative human resource theoretical knowledge and practical experience. "Certification demonstrates commitment to personal excellence and to the human resource profession," said Susan Meisinger, SPHR, President and CEO of the Society for Human Resource Management.

HRCI, the credentialing body for human resource professionals, promotes the establishment of professional standards and recognizes professionals who meet those standards.

TONRY: AUTHORITY'S 1st ASSISTANT DIRECTOR OF OPERATIONS



On March 15th, Compliance Manager Susan Tonry's position was expanded to include the title Assistant Director of Operations. Hired in 2003, Ms. Tonry's innovative thinking led her to take on multiple responsibilities outside of the traditional scope of a Compliance Manager.

In addition to overseeing the Authority's distressed credits and auditing process, Ms. Tonry worked side-by-side with senior staff to create the Authority's self-insurance/captive monitoring program. She also played a major role in the Authority's work with the Schools Construction Corporation and the PBI/AHS transaction.

Before long, Ms. Tonry was asked to attend key meetings that did not pertain to compliance issues. As her tasks far outweighed her title, her responsibilities were officially expanded, and she was promoted

to Assistant Director of Operations.

Jim Van Wart, the Authority's Director of Operations says, "Sue has been a pleasure to work with over the last year. She's been thoroughly professional and her assistance in special projects has been invaluable."

EMPLOYEE ANNIVERSARIES

Congratulations to Evelynne Burroughs, who celebrated a remarkable 30 years of service with the Authority, as well as Marjorie McAvoy and Margaret Smith, who celebrated their 10th year, and Carole Conover, recognized for her 5th year of service.

The Authority is proud that its employees are committed to the organization. Its third-party auditor, Ernst & Young, noted that because there is such a low turnover, staff members are very effective, knowing their responsibilities and completing them efficiently. The Authority hopes to continue this trend of finding good people... and keeping them.



Clockwise from top left: Evie Burroughs; Marji McAvoy; Carole Conover; and, Peggy Smith.

PRESENTATIONS BY NJHCFFA STAFF

Authority staff members are often asked to share their insight through presentations at various conferences and seminars throughout the year. On June 8th, Deputy Executive Director Dennis Hancock spoke at the *HFMA Meeting "Risk Issues in the Healthcare Market"* about the various Authority financing options.

If you would like more information on the presentation, or would like an Authority staff member to present at an event of your own, contact the NJHCFFA Communications Department at szschunke@njheffa.com. □

MICHAEL KORNETT LEAVES THE NJHCFFA

Michael Kornett, formerly Executive Director of the Authority, has accepted the position of Executive Director for The Medical Society of New Jersey. Mr. Kornett is proud of his accomplishments with the Authority and enjoyed working with the Administration, Authority Members and staff.

Under the direction of Mr. Kornett, the Authority issued over a billion dollars worth of debt on behalf of twenty-two different borrowers. He initiated new Authority policies to protect bondholders, including new pension plan reporting requirements and a self-insurance monitoring program for hospitals.

Mr. Kornett may be most remembered, though, for his efforts to change the public perception of the Authority from that of a financing machine to that of a health care information resource and problem-solver for industry and state government officials.

The Authority's Chairman, Commissioner Clifton R. Lacy of the State of New Jersey Department of Health and Senior Services called the recruitment a brilliant decision for the Medical Society and a great loss for the Authority.

Describing Mr. Kornett as a luminary and trusted advisor, the Commissioner stated, "Michael Kornett has been integrally and intimately involved in the highest levels of decision-making concerning hospitals and healthcare institutions, as well as policy and planning for healthcare in New Jersey as a whole." □



Commissioner Lacy wished Michael Kornett luck in his new role.

THE FINANCING AUTHORITY SUMMIT: *PARTNERING NEW JERSEY'S HEALTHCARE LEADERS*

April 28, 2004



*The speakers' table at the War Memorial (left to right):
James Carville, Richard Kusserow, Linda Stierle, and Bob Novak*

On April 28, 2004, **The Financing Authority Summit: Partnering New Jersey's Healthcare Leaders** was held at the historic War Memorial in Trenton, followed by a reception at Drumthwacket, the Governor's residence in Princeton.



Authority Member Gus Escher with Governor James E. McGreevey

The goal of the Summit was to provide banking and bond counsel firms interested in healthcare finance with an opportunity to build relationships with New Jersey hospital decision-makers. Sponsored by twelve firms involved in healthcare finance, the event was a tremendous success, with over 150



Carville reacts to a comment by Novak during debates in "Crossfire Live"

healthcare providers and finance representatives in attendance.

The Authority is very pleased that the event provided an opportunity to bridge the borrowing and lending communities. "We need to make sure our borrowers have entrée to those firms that have the most experienced and professional personnel," said Dennis Hancock, Deputy Executive Director of the Authority.

Following the afternoon presentations, a reception at Drumthwacket provided sponsors the opportunity to introduce themselves to hospital executives. Governor James E. McGreevey hosted the reception and spoke of the importance of collaboration in support of healthcare.

As stated by Commissioner Lacy, Chairman of the New Jersey Health Care Facilities Financing Authority, "the Authority exists to assist healthcare organizations gain access to financial resources to be used to improve the health of the residents of New Jersey. By fostering relationships between hospitals and firms involved in healthcare finance, the Summit has been very successful in advancing that mission." □

Informative and entertaining speakers at the War Memorial included:

- **Clifton R. Lacy, M.D.**, New Jersey Commissioner of Health and Senior Services - "State of Healthcare in New Jersey"
- **Linda Stierle**, President and CEO of the American Nurses Association - "Solving the Nursing Shortage Together"
- **Richard Kusserow**, former Inspector General - "Corporate Governance and Compliance as it Impacts Bonding and Insuring Authorities"
- **James Carville & Bob Novak** of CNN's The Crossfire Guys - "Crossfire Live"



*Above: Dennis Hancock (NJHCFFA) and Doug Duchak (Englewood Hosp. and Med Center).
Below: Aurea Vazquez (Office of the Governor), Amy Mansue (Children's Specialized Hospital), and Sean Hopkins (NJ Hospital Association).*



The Authority would like to thank the sponsors, without whom the event would not have been possible: **Commerce Capital Markets, Inc.; Merrill Lynch & Co.; Wachovia Bank; Ziegler Capital Markets Group; UBS Financial Services, Inc.; Bank of America; Goldman Sachs & Co.; J.B. Hanauer & Co.; McCarter & English, LLP; NW Financial Group, LLC; Cambio Health Solutions; and JPMorgan Chase.**

NEW JCMC FACILITY OPENS

(continued from page 3)

building in exchange for a brand new health care facility. The proceeds provided for the acquisition and preparation of land for the new acute care hospital and adjacent a new ambulatory care facility. The proceeds also funded the construction of the new facilities, and the refinancing, renovation and installation of equipment at the Medical Center's family health center.

The fixed rate public offering bonds were rated "AAA" by Standard & Poor's Ratings Services and "Aaa" by Moody's Investors Service, and were enhanced by an FHA-insured Mortgage with a wrap from Ambac Assurance Corporation. The all-in true interest cost for the bonds was 5.35%. The Authority was excited to participate in the construction of a new state-of-the-art facility in an area that badly needed one.



JCMC's prior location on Baldwin Avenue, opened in 1931, has been deemed a historic place.

On October 23, 2003, the Authority was revisited by JCMC requesting additional funds for the completion of the project. There was some concern from the Authority would endure several subsequent visits from JCMC for more funds before the project could finally be completed. However, Steve Kirby's presence at the Authority meeting, as Senior Vice President & CFO of the facility, calmed those concerns by explaining that JCMC had returned to the Authority because the city had reclaimed the old facility's buildings. The additional funds would allow the services, that were expected to remain in the old facilities for as long as ten additional years, to be vacated to another location.

The Authority granted the contingent sale approval and, in December, issued an

additional \$16,440,000 worth of bonds on behalf of JCMC. Those bonds, also secured by FHA mortgage insurance and wrapped by AMBAC, enjoyed a "AAA" rating and a net interest cost is 4.62%.



JCMC construction as of February 2003

In May of 2004, JCMC proudly confirmed that the new facility was equipped and ready for business.

On May 16th, Doctors, nurses, EMS staff, administrators and other personnel transported close to 200 patients from the old Medical Center on 50 Baldwin Avenue to the new facility at 355 Grand St., Jersey City, with the use of 55 ambulances. According to Jonathan M. Metsch, President and CEO of LibertyHealth, the move began "a new and exciting chapter in health care for the people of Hudson."

The new seven-story, 366,000 square foot, 326-bed, acute care hospital demonstrates, in the most basic terms, the success of the Authority's mission. As the state's health care facility financing authority, the Authority is honored to have facilitated the establishment of the brand new facility for Jersey City and its surrounding community. □



The new JCMC facility located on Grand Street



P.O. Box 366
Trenton, NJ 08625
(609) 292-8585
Email us at info@njhcffa.com
Visit us at www.njhcffa.com



James E. McGreevey
Governor

NJHCFFA MEMBERS

Ex-Officio Members:

Clifton R. Lacy, M.D., Chairman ·
Commissioner of Health and Senior Services

Holly Bakke, J.D. ·
Commissioner of Banking and Insurance
(John Kerr, Official Designee)

James Davy ·
Commissioner of Human Services
(Freida Phillips, Official Designee)

Public Members:
Noreen P. White ·

Carmen Saginario, Jr. J.D. ·

Thomas A. Zelante, J.D. ·

Gustav Edward Escher, III. ·

SENIOR NJHCFFA STAFF

Dennis P. Hancock, Deputy Executive Director, Director of Project Management

Stephen M. Fillebrown, Director of Research and Investor Relations

James L. Van Wart, Director of Operations, Custodian of the Public Record