

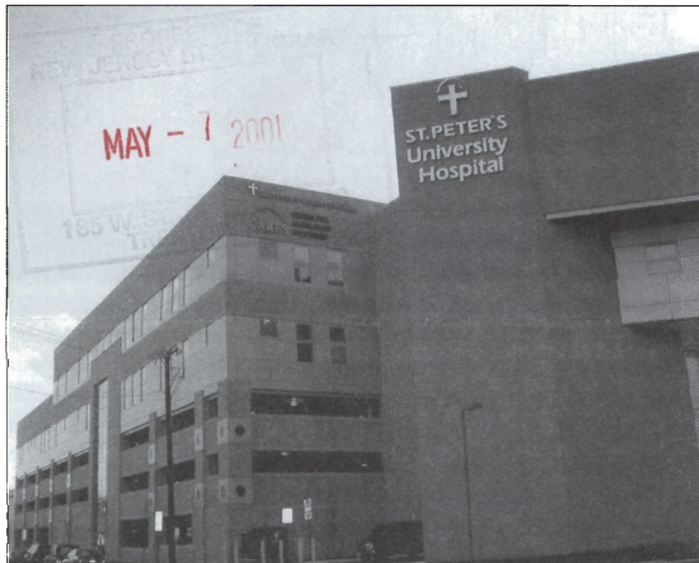


NJHCFFA

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

AUTHORITY NOTES

January 2001



The new Center for Ambulatory Resources (CARES) at Saint Peter's University Hospital in New Brunswick.

AUTHORITY COMPLETES DIVERSIFIED ISSUE

In December 2000, the Authority issued three series of bonds totaling \$71,795,000 on behalf of **St. Peter's University Hospital Obligated Group**. The Obligated Group is comprised of St. Peter's University Hospital (the "Hospital") and Margaret McLaughlin McCarrick Care Center, Inc. The financing consisted of \$36,795,000 Series 2000A fixed rate bonds, \$29,280,000 Series 2000B variable rate bonds, and \$5,720,000 Series 2000C variable rate bonds. While interest on the Series 2000A and 2000B bonds is tax-exempt, interest on the Series 2000C bonds is federally taxable.

The proceeds from the bonds will provide for the current refunding of the Authority's Series C bonds, the financing and refinancing of the renovation and expansion of the emergency room and cardiac catheterization lab, and the purchase of capital equipment and related construction and renovation costs, including a linear accelerator. In addition, a bridge financing to construct a 67,000 square foot ambulatory care center including an ambulatory surgery center, a women's and children's center, a physical therapy department, shell space, and 90-space parking deck on property contiguous to the Hospital's main facility, will be refinanced with the proceeds of the bonds.

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2000 - THE YEAR IN REVIEW



As in past years, at the December meeting of the Authority, Executive Director Edie Behr took time to recap the year's activities. Following is a brief summary of the major points that were addressed. (Refer to full text available on the Authority's website www.njhccffa.com.)

- In a major investor outreach and education effort, the Authority addressed bond analysts, mutual funds, rating agencies and credit providers directly through 16 conferences, symposia and one-on-one meetings.
- The Hospital Asset Transformation Program was created by a statutory expansion. It enables the Authority to refinance certain bonds for hospitals that cease to provide acute care services.
- The Authority completed fourteen series of bonds on behalf of eleven health care organizations totaling \$495,693,588 and three Capital Asset Program loans totaling \$48,800,000. Thirteen of these seventeen transactions were completed on behalf of hospitals or health systems and four were completed on behalf of assisted living facilities. Approximately half of the proceeds were used for construction and half for refinancing.
- For the first time, the Authority arranged for financing through the Target Cities Program, on behalf of a drug and alcohol treatment facility.
- The Authority issued the Assisted Living Facility Review, which spoke to issues such as potential excess capacity, availability of capital, and the implications of state policies on the development of the assisted living industry in New Jersey. The Authority also commissioned a report evaluating the financial implications of increasing access to assisted living facilities for low and moderate-income individuals. Copies of these reports are available. If interested, please call Mae Jeffries-Grant at (609) 292-8585 or email her at MJGrant@njhccffa.com.

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ST. PETER'S

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The Hospital conducted a tender offer, paid for with bond proceeds, for approximately \$25 million of the Authority's Series F bonds, which were not eligible for tax-exempt advance refunding and were not callable until July 2003. The Authority congratulates the Hospital on the success achieved through the use of the tender offer. The maturities of the new issue were structured to create a level debt service schedule easing cash flow requirements in the early years. (For more information on tender offers, please refer to "More Hospitals Take Tender Approach" article in the December 11, 2000 issue of *Modern Healthcare*.)

The Series 2000A bonds earned ratings of "BBB" and "Baa2" from Standard & Poor's Ratings Services and Moody's Investors Service, Inc., respectively. The Series 2000B and 2000C bonds earned "Aa2/VMIG1" and "AA-/A1" ratings based on letters of credit issued by Summit Bank. The all-in true interest cost of the Series 2000A bonds was 7.17%. The initial interest rates for the Series 2000B and 2000C bonds, marketed during the last week of the year when interest rates typically spike, were 4.95% and 6.90%, respectively.

YEAR IN REVIEW

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- The Authority took action on borrower requests for a land transfer, property release, project amendment, a request to lease mortgaged property and the extension of the credit and liquidity facilities for the Capital Asset Program.
- The Authority qualified 49 firms to serve as bankers for its bond issues. The Authority also selected an auditor, investment bankers for the COMP Program, two consultants who worked on the assisted living facility report, and another consultant who's working with the post-acute care study group to examine barriers to hospital discharge.
- The Authority completed the initial input of data pertaining to all Authority-issued bonds into a program called "Bond Tracker". This effort will serve the Authority well and will guarantee a quicker response time to inquiries pertaining to Authority bond issues.
- The Authority published two newsletters and exhibited at two conventions. A new educational portfolio was also created, containing an introduction to the Authority and its financing vehicles.

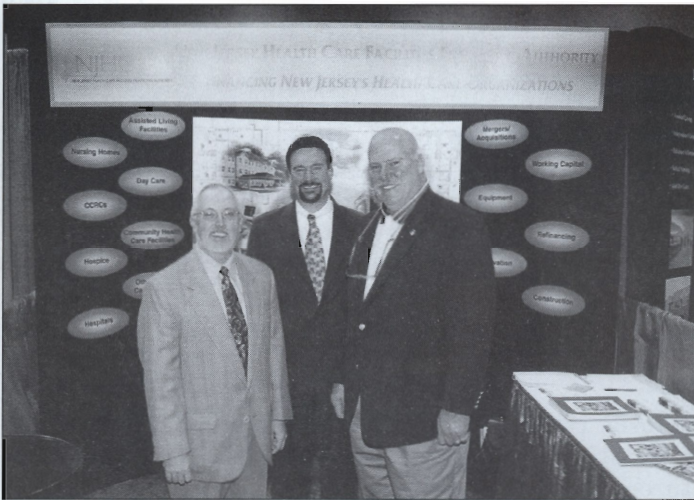
EDUCATIONAL CAMPAIGN



Featured above at the William E. Simon & Sons Conference are (left to right): Edith F. Behr, Executive Director, NJHCF-FA; Stephen Fillebrown, Director, Research and Investor Relations, NJHCFFA; David Mortimer, Associate Deputy NJ State Treasurer, Local School Construction Financing; and Victor Cantillo, Executive Director, NJ Educational Facilities Authority.

Edie Behr, Executive Director, and Steve Fillebrown, Director, Division of Research and Investor Relations, spoke at the Third Annual **New Jersey State Institutional Investors Conference**, sponsored by Rutgers, the State University and William E. Simon & Sons Municipal Securities, Inc. The Conference focused on both the "credit situation and debt policies of the State" as well as the major issues affecting the capital programs of State agencies and authorities. Ms. Behr and Mr. Fillebrown recapped the financial and operating results of New Jersey hospitals and detailed regulatory and statutory actions being implemented by the state. Also speaking at the conference were the State Treasurer and other state authority representatives. Institutional buyers, rating agencies, municipal bond insurers, academics, as well as representatives of New Jersey debt issuers, attended the conference.

Edie Behr was also a panelist at the New Jersey Chapter of the Healthcare Financial Management Association's 2000 Annual Institute. The subject matter of the panel was the capital marketplace in New Jersey and the impact of the health care industry's current financial environment on access to the market. Representatives of the hospital industry, rating agencies, credit enhancement agencies, and investment banking community also served on the panel and participated in this important discussion. Ms. Behr answered questions about the Hospital Asset Transformation Program and what the Authority is doing to maintain access to capital for the state's health care community.



Featured above at the NJAHCF Annual Convention and EXPO are (left to right): Dennis Hancock, Deputy Executive Director and Director, Project Management, NJHCFFA; Don Pellegrino, Vice President and Controller, Bridgeway Care Center; and Ron Squillace, President, Health Care Centers of Wayne, Inc.

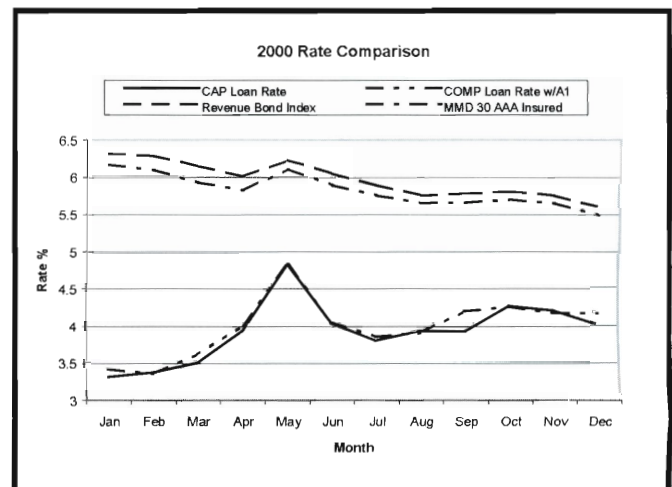
The New Jersey Association of Health Care Facilities ("NJAHCF") held its 52nd Annual Convention and EXPO in Atlantic City, October 31st through November 2. The theme of the convention was "The New Millennium & the Future of Health Care Delivery." More than 250 exhibitors, including the Authority, participated in the convention this year. The Authority met with numerous NJAHCF members and existing clients and discussed their capital financing projects. The convention also provided staff with the opportunity to distribute its newly designed educational portfolio to potential clients.

FINANCING NOTES

In November 2000, the Authority completed a \$40,000,000 financing on behalf of **The Society of the Valley Hospital, Inc.** (the "Hospital"). Proceeds from the issue, together with a hospital equity contribution, will be used to finance the construction and equipping of a 129,000 square-foot, three-story building housing a comprehensive cancer center and an ambulatory surgery center to be known as the Robert and Audrey Luckow Pavilion ("Pavilion"). The Pavilion will be located in Paramus, approximately two miles from the Hospital's main campus. Funds will also be used to finance a portion of the costs of certain capital additions and renovations and the acquisition of certain medical equipment at the Hospital's main campus. The bonds earned triple-A ratings from both Standard & Poor's Ratings Services and Fitch, Inc. based on an insurance policy provided by Ambac Assurance Corporation. The all-in true interest cost of the financing was 5.684%.

In December 2000, the Authority completed an \$8,999,997 private placement financing on behalf of **Healthcare Centers of Wayne, Inc.** ("Healthcare Centers"). Healthcare Centers is a for-profit organization formed to own and operate a 50-bed assisted living and a 48-bed subacute medical rehabilitation facility. The proceeds from the issue will be used for the construction and equipping of the assisted living portion of the facility, known as The Carriage House. The remaining portion of the facility will be constructed through a commercial loan provided by Commerce Bank. The interest rate will be based on the five-year Treasury rate and will be reset every five years. The initial interest rate was 6.10%.

In December 2000, the Authority completed an \$8,800,000 financing through the Capital Asset Program on behalf of **Atlantic City Medical Center** ("ACMC"). Proceeds from the issue will be used to finance a portion of a major construction and equipping project at ACMC's Mainland Division including the establishment of a cardiac surgery program. The new suite will include two cardiac operating rooms, a perfusion pump room, and a scrub area. Also included in the project will be an expansion to accommodate three additional operating rooms, and renovations to existing clinical, support and general circulating areas, such as same day surgery, as well as the purchase of related equipment.



NOTEWORTHY

In the Fall of 2000, stockholders, who consisted of most of the state's hospitals, received \$192 million from the sale of the **Princeton Insurance Exchange**. The stockholders sold the company, a provider of medical malpractice and hospital liability insurance, to the Medical Liability Mutual Insurance Company. Hospitals also received some much needed relief from the federal **Disproportionate Share Hospitals ("DSH") settlement** of \$240 million in September 2000.

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NOTEWORTHY

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In November 2000, a New Jersey Supreme Court judge upheld the state law requiring **Healthcare Maintenance Organizations** to contribute \$50 million to a fund to pay hospitals and other providers for unpaid bills left by **HIP Health Plan of New Jersey** and **American Preferred Provider Plan**. In early November, hospitals and doctors received about \$15.9 million of the state's \$50 million contribution to the fund.

In keeping with the Authority's policy related to the selection of professionals for its bond sales, the Authority has approved the addition of **First Union National Bank** to its qualified list of senior managers, financial advisors, placement agents, co-managers, and remarketing agents. In addition, **Prudential Securities Incorporated** announced on November 1, 2000, that they would withdraw from the Institutional Fixed Income business, thus terminating their public finance staff. As a result, Prudential has been removed from the Authority's approved list of senior managers, financial advisors and private placement agents. However, they will continue to serve on the Authority's qualified list of co-managers and remarketing agents. **Greenwich Partners** has also been deleted from the Authority's qualified list of senior managers, co-managers, financial advisors, and private placement agents because they are no longer in the municipal business.

PROJECT NOTES

Extensive construction work is in progress at **Robert Wood Johnson University Hospital**, located in New Brunswick. The seven-story Cancer Hospital's exterior panel façade is being installed, as well as interior walls and finishes for the Children's Hospital. Once completed, both buildings, in conjunction with renovations to existing first floor hospital space, will create an entrance promenade to help visitor orientations to the medical campus. Anticipated completion dates for

the Children's Hospital and the Cancer Hospital are April 2001 and 2002, respectively.

Construction work is continuing in the Emergency Department at **Saint Barnabas Medical Center**, located in Livingston. The final phase of construction includes the creation of a Pediatric Emergency Department, and interior refurbishment of some remaining office and support spaces. This will complete and complement an already occupied expansion and renovation to the unit containing Fast Track, Triage, and Cardiac Emergency Services.

Interior construction work is continuing at the **Holland Christian Home**, located in North Haledon. This three-story brick addition, anticipated for completion in May 2001, will house 45 new resident rooms.

Several construction projects are in progress at **Hackettstown Community Hospital**, located in Hackettstown. Among them are renovations to the main entrance lobby, gift shop, cafeteria, and Emergency Department. All departments and areas remain operational during the construction, which is scheduled for completion in March 2001.

Completed Projects

Congratulations to the following health care organizations on the successful completion of their projects financed through the Authority:

Saint Barnabas Medical Center, Livingston
Renal Transplant Service administrative office renovation

Burdette Tomlin Memorial Hospital, Cape May
Courthouse
Emergency Room expansion and renovation

Saint Mary's Hospital, Passaic
Total modernization of ICU/CCU

Christine Grant, Chairman • Commissioner of Health and
Senior Services

Karen L. Suter • Commissioner of Banking and Insurance
(John Kerr, Designee)

Michele Guhl • Commissioner of Human Services
(Edward Tetelman, Designee)

Noreen White • Timothy T. Richards

Shing-Fu Hsueh • Carmen Saginario Jr.

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