

The New Jersey Health Care Facilities Financing Authority

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Salute from the Governor, Jon S. Corzine

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The global economic recession has touched the citizens of our state and nation on many fronts. Now more than ever, it is imperative that we have a stable health care system in place to provide quality care and access for our residents during these difficult times.

This administration has worked tirelessly to find solutions to improve New Jersey's hospital system, beginning with the creation of the *Commission on Rationalizing New Jersey's Health Care Resources*. The Commission put forth numerous recommendations which resulted in my signing a package of bills designed to improve access to health care, protect the uninsured and strengthen the accountability and transparency of the health care delivery system in the Garden State. Additional recommendations included the creation of the \$44 million Health Care Stabilization Fund as well as the development of an early warning system to closely monitor the financial health of our hospitals.

For 35 years, the New Jersey Health Care Facilities Financing Authority has provided a broad array of assistance to healthcare organizations across this state. The Authority will continue to be an integral partner in our efforts to improve New Jersey's health care system, and I remain committed to working with them to ensure the financial stability of our hospitals and the health and well being of our residents.



NJHCFFA Mission:
**To ensure that all health
care organizations have
access to financial
resources to improve the
health and welfare of the
citizens of the State**

From the Commissioner of Health & Senior Services, Heather Howard, J.D.

2008 was a year of challenges as New Jersey grappled with the national economic downturn. Our health care system was not spared from the ongoing fiscal crisis. During this tumultuous period, the State is working with health care facilities to maintain and strengthen access to health care for residents.

This past year, the State enacted a series of reforms and created tools to stabilize the health care system. In December, the State awarded \$44 million in Health Care Stabilization Fund grants to six financially distressed hospitals in order to maintain health care access in communities where services were threatened. These hospitals - the medical safety nets of their communities - serve a significant number of uninsured, underinsured, and Medicaid patients.

The Health Care Stabilization Program was created as part of a package of health care reforms recommended by Governor Corzine's *Commission on Rationalizing New Jersey's Health Care Resources*. As part of these reforms, the Department, along with the New Jersey Health Care Facilities Financing Authority, is closely monitoring the financial condition of hospitals and has put into place an early warning system that will enable the State to intervene earlier when a hospital is in crisis.

Other hospital reform measures signed into law by the Governor ensure that uninsured working families are not overcharged for hospital care, require hospitals to conduct an annual public meeting to improve communication and transparency between hospital leadership and the community, and require all hospital board members to complete a comprehensive training program designed to improve hospital governance.

When a struggling hospital does fail, the Hospital Asset Transformation Program, which was expanded in the early part of 2008, has been an important tool in ensuring that the closure progresses smoothly. This program aids hospitals in preserving access to care.

Although many challenges lie ahead, these tools will help strengthen the fiscal health of New Jersey's hospitals and help prevent future hospital closures. I thank the New Jersey Health Care Facilities Financing Authority for working with our Department to improve the quality of health care in the state, to broaden access to health care services for all New Jerseyans, and to strengthen the systems and centers that provide that care to our people.



Executive Director's Statement, Mark E. Hopkins



After all is said and done, 2008 will be known as a momentous year for the Authority on many levels. In addition to the high volume of bonds issued, we tackled the unprecedented collapse of a bond structure (in the auction market crisis) and developed groundbreaking policies in areas that had been dodged by conduits nationwide. Then, in the fall, issuing activity abruptly halted at the onset of a historic economic downturn. It is amazing how quickly an outlook can change.

At the start of 2008, the Authority was bustling with record-sized projects. On August 13th, the Authority crossed the \$1 billion mark of issuance for the year, a mark that had been crossed only once before. With more than an entire quarter remaining, I wrote in our Fall Newsletter, "If the credit markets cooperate, the Authority should set a new record for itself by the year's end." But cooperate, they did not.

In the final four months of 2008, the Authority closed only one bond transaction for \$30 million, while six projects ranging from \$110 million to \$750 million were put on hold.

Business slowed to a near standstill as borrowers lay in wait for the market to recover.

The Authority never did cross that threshold to set a new high of bond issuance. Yet, it was still an impressive year, as we issued the Authority's second highest total annual issuance in the first three quarters of the year. Total issuance for 2008 was \$1,272,380,000 on behalf of nine borrowers.

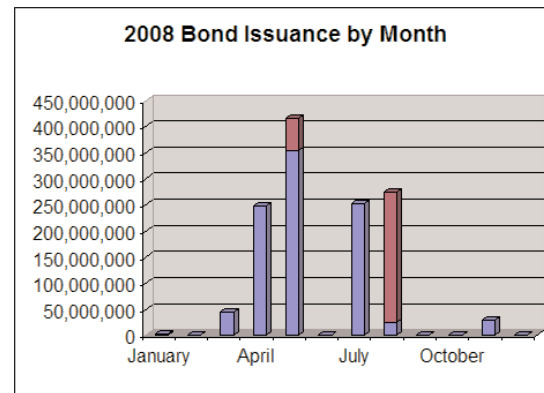
In addition, the Authority converted \$271,975,000 worth of auction rate bonds to either fixed or variable rate structures following the February crumbling of the auction rate securities market. Despite the fact that the Authority receives no fees for conversion work and that these conversions require staff time similar to that of a bond issue, the Authority felt it was important to help its borrowers avoid interest cost spikes by extricating them from the troubled market. By the end of the year, each of the borrowers that experienced high interest rate jumps from failed auctions had either converted or refunded the auction rate debt.

Also in 2008, the Authority continued its commitment to improve certain policies as directed by the Members at its 2007 retreat. While most of the retreat's discussion items were resolved within a few weeks, some policies were more involved and had little to no precedent among conduits nationwide.

In order to ensure that any new practice would satisfy the delicate balance of benefiting the borrower while protecting the bondholder, staff coordinated separate industry working groups for each of these matters, namely: the derivatives policy, the underwriter discount, and the Authority's monitoring of self-insurance/captive entities.

After working with representative stakeholders, and with feedback from the Authority Members, new policies were adopted in each of these areas. I applaud staff's hard work and dedication in creating landmark policies that fairly balance the interests of both the borrower and the bondholder. I also note that, upon the initiation of these new policies, staff and the Members recognize that the new policies are "works in progress" to be reviewed going forward to ensure their effectiveness.

In 2009, we are beginning to see the return of bond activity, though with marked hesitation and often higher interest rates. As such, our staff continues to tailor each financing to the needs of the borrower so that every hospital or health care organization in New Jersey knows that, when working with the Authority, they will get personal attention and vast expertise, wrapped in product flexibility to best meet their financial goals. I am proud of our tradition to do our best for our borrowers and bondholders alike, and I look forward to a large shift of business moving from "Projects on Hold" to "Projects in Development."



NJHCFFA Members

As outlined in the Authority's by-laws, the Authority consists of seven Members, three of whom are ex-officio (namely: the Commissioner of Health and Senior Services, the Commissioner of Human Services, and the Commissioner of Banking and Insurance). All Members are appointed by the Governor and confirmed by the Senate. By law, the Commissioner of Health and Senior Services serves as the Authority Chairperson.

The Members meet for regular monthly meetings at which staff reports on the status of the various financings being structured. These presentations include a negotiated sale request, an informational presentation that often includes financial projections, and a TEFRA hearing. When a financing has completed all the necessary steps, staff presents a request for the Authority's approval for a contingent bond sale. A majority of the quorum present at the meeting must vote affirmatively in order for a contingent sale to be approved.

The Authority currently has two Member vacancies. Below are the five Authority Members active at the time of print.

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HEATHER HOWARD, J.D. , Chairperson, serves throughout tenure as Commissioner of Health and Senior Services

Heather Howard was nominated to serve as the 14th Commissioner of the New Jersey Department of Health and Senior Services by Governor Jon S. Corzine on November 29, 2007, and was confirmed by the Senate on January 7, 2008.

At the time of her nomination, Ms. Howard was serving as Policy Counsel to the Governor, where one of her achievements included working closely with the Congressional delegation and the Department of Human Services to protect FamilyCare. Prior to her service as Policy Counsel, Ms. Howard was the Honorable Jon S. Corzine's Chief of Staff during his tenure as a United States Senator, where she managed staff and operations for three offices, handling all aspects of policy development and legislative issues. In this role, she was applauded for her successful campaign to protect New Jersey's PAAD and Senior Gold prescription assistance programs.

Ms. Howard also investigated and litigated health care anti-trust matters as a member of the Honors Program at the U.S. Department of Justice, and served as policy advisor to President Bill Clinton, First Lady Hillary Clinton and Congresswoman Nita Lowey.

A *cum laude* graduate of Duke University and the New York University School of Law, Ms. Howard currently lives in Princeton with her husband and son.



JENNIFER VELEZ, ESQ., Member, serves throughout tenure as Commissioner of Human Services

Jennifer Velez was sworn in as Commissioner of the Department of

Human Services (DHS) in June, 2007. Prior to her nomination by Governor Jon S. Corzine, Velez served as Deputy Commissioner for Family and Community Services at DHS, during which she oversaw the divisions that administer the Department's largest programs and was responsible for two-thirds of the Department's \$9.4 billion budget. She was also involved in making recommendations for the Commissioner on all aspects of the Department's responsibilities.

Before joining the DHS, Velez served as New Jersey's First Assistant Child Advocate beginning with that position's creation in September 2003. From 1998 until 2003, Velez served Governor James E. McGreevey, Acting Governor Donald DiFrancesco and Governor Christine Todd Whitman as Senior Associate Counsel and Assembly Liaison in the Office of Governor's Counsel, where she was primarily responsible for advising on DHS-focused legislation and regulation.

Before entering public service, Velez was in private practice at the law firm of Pitney, Hardin, Kipp & Szuch in Florham Park. She received her law degree from Rutgers School of Law and her undergraduate degree in Economics from Drew University. Velez lives in Summit with her husband and two children.



STEVEN M. GOLDMAN,
Member,
*serves throughout
tenure as
Commissioner
of Banking and Insurance*

Steven M. Goldman was sworn in as Commissioner of the New Jersey

Department of Banking and Insurance on March 24, 2006. Prior to his nomination by Governor Jon S. Corzine, Mr. Goldman was a senior member and 22-year veteran of Sills Cummis Epstein & Gross PC, where his focus revolved around corporate law, specifically: mergers and acquisitions, banking and finance, joint ventures, and leveraged buy-outs.

Mr. Goldman earned a Masters of Law in taxation from New York University School of Law, a Jurist Doctorate from the George Washington University School of Law and an Artium Baccalaureatus in political science from Boston University. He lives in Woodcliff Lake with his wife; they have three children.



GUSTAV E. ESCHER, III,
Vice Chairman,
*term of office expires
April 30, 2010*

Gustav E. Escher, III is Managing Director of Bergen Capital, a division of Scott &

Stringfellow, an East Coast regional Investment Bank with over 46 offices from New York to Georgia. He previously served as Vice President of New Jersey Public Finance at PNC Bank located in East Brunswick. Prior to joining PNC, Mr. Escher was affiliated with several leading investment and commercial banks and provided financial advisory services in both the housing and governmental sectors. He also held executive positions at several consulting firms, a State financing agency, and a local governmental unit.

Mr. Escher received both his Masters degree in Architecture and Urban Planning and his Bachelor of Arts degree from Princeton University. He resides in Princeton.



ULYSSES LEE,
**Secretary and
Treasurer**
*term of office expired
April 30, 2008, serves
until a replacement is
appointed*

Ulysses Lee brings to the Authority extensive health care knowledge and field

expertise in the areas of insurance, policy and finance. He is currently Government Relations Counsel and HIPAA Privacy Officer for The Guardian Life Insurance Company of America. Prior to Guardian, he held various legal positions involving regulatory compliance and litigation.

Mr. Lee is also a board member of the New Jersey Small Employer Health Coverage Program and the New Jersey Individual Health Coverage Program. Outside of New Jersey, he is involved in policy and finance as a board member of the District of Columbia Regulatory Trust Fund Bureau, which oversees the budget and operations of the D.C. Insurance, Securities and Banking Department, and the D.C. Life and Health Insurance Guaranty Association. He is also a board member of the New Hampshire Small Employer Health Reinsurance Pool.

Mr. Lee has an undergraduate degree from Rutgers University, a law degree from Howard University, and a Masters in Public Health from Columbia University with a concentration in Health Policy, Finance and Management. He currently resides in West Orange.

Ex-Officio Members may designate long-term representatives to attend meetings and vote on their behalf.



William Conroy,
Health & Senior Services



Eileen Stokley,
Human Services



Maryann Kralik,
Banking & Insurance

2008 In Review: Seeking Remedies for an Ailing Health Care Network

By the beginning of 2008, many New Jersey hospitals had already been struggling to turn a profit for several years. The nationwide economic downturn added fuel to the financial fires for those troubled hospitals and created new hurdles for those previously undistressed. Governor Corzine's Administration, the Department of Health and Senior Services and the Authority sought remedies, large and small, to help the system regain its financial footing.

Following the Doctor's Orders - Solutions Made at the State Level

At the start of the year, the *New Jersey Commission on Rationalizing Health Care Resources*, led by Uwe E. Reinhardt, Ph.D., released a report that included recommendations to improve State aid to financially distressed hospitals. The timing of the report's release was fortunate, given the economic dropoff that soon followed.

The report identified "Excessive geographic hospital density" as a major cause of poor financial health for New Jersey hospitals, noting:

A large number of hospitals are in relatively close geographic proximity to one another compromising their market power with respect to payers and physicians - this impacts negotiations over payment rates and limits the ability of hospital managers to influence physician practice behaviors. (p. 17)

The report also stated that New Jersey has an oversupply of hospital beds in every market area, with four market areas, in particular, having three or four hospitals when, in total bed-size, one would suffice. It added:

Although these numbers do not imply that two or three hospitals could be closed without depriving residents in the area of essential hospital services, it does suggest considerable slack in the market such that the patient loads of one or two "non-essential" hospitals could be absorbed by other hospitals in the market area. (p. 3)

It further stated that the current bed surplus in New Jersey is expected to increase in all hospital markets between now and 2015, worsening the problem.

The nationwide economic downturn of 2008 exposed the costs of this excess capacity and forced the State to make some difficult decisions regarding which hospitals should close and which hospitals should receive funds to stay open.

In the cases where it was decided that a hospital should close, the Hospital Asset Transformation Program ("HATP") proved to be a valuable aid. The HATP was enacted so that a hospital that terminates acute care services can access low-cost financing vehicles to receive the funds needed to help close services in an orderly fashion, thereby protecting both the hospital staff and the community served. In 2008, the HATP helped two hospitals (both in a market area noted for overbedding in the report) to close more smoothly with careful planning for the provision of continued services in the community.

For some hospitals, however, closing is not a viable option because the facility is fundamental to the provision of health care for a community in need. The Hospital Stabilization Fund, which also had been recommended by the Commission, was created in June and appropriated \$44 million worth of grants that were given to such struggling yet critical hospitals so that they could continue to provide care to their communities.

The State wanted to do more than treat the symptoms of its financially distressed hospitals. Looking to the future, the Department and the Authority helped to implement other recommendations set forth by the Commission as a way to secure more ongoing stability for New Jersey's hospital finances.

The State pursued ensuring effective hospital governance through two legislative actions: the first requires all general hospital trustees to complete comprehensive training to promote effective financial oversight; and the second requires hospitals to annually conduct a public meeting in order to improve transparency and communication within the communities served.

The State also created an Early Warning System which works with the Authority's data collection to give the Department of Health and Senior Services the ability to identify distressed hospitals early and engage in progressive monitoring and intervention.

In addition to these broad reaching actions, the Authority looked inward for other solutions to lessen the sting for its borrowers.

Internal Remedies at the Authority

Right at the start of 2008, the Authority saw evidence of serious financial fallout when the auction rate market faltered and auctions began to fail. Interest rates were reset at levels defined in bond documents, which, in many cases, meant jumping to maximum levels of 12%, 15%, or even 18%.

Having seven borrowers with outstanding auction rate debt, the Authority quickly searched for methods to ease the borrowers' burden by simplifying the process to exit the auction rate market. In February, the Authority adopted a resolution to allow an authorized officer of the Authority to approve the actions needed to convert auction rate securities to another structure permitted in the issuance documents, thereby eliminating any delay in waiting for the next monthly meeting of Authority Members. Some Authority borrowers opted, instead, to refund auction rate bonds through a new issuance. Staff worked closely with these borrowers and held additional meetings in order to best accommodate them. In just a matter of months, all of the borrowers that had been severely impacted by the auction rate crisis had left the auction rate securities market.

The economic fallout also specifically affected interest rates for the Authority's Capital Asset Program, a pool program supported by variable rate bonds issued in 1985. While only \$35 million was on loan through the CAP in 2008, borrowers had to cover interest costs for the full \$100 million in bonds dedicated to the program during a period when investment rates on unlent proceeds were at significantly low levels. When interest rates for the CAP increased from 1.85% to 8.25% during the month of September, borrowers had to pay rates above 9% for these funds. In November, the rates normalized. Still, in order to ease some of the burden, the Authority waived its CAP loan fees for September and October when interest rates were unexpectedly high.

While the responses to the auction rate crisis and the CAP increases were reactive solutions to market occurrences, staff also pursued long-term solutions in 2008 for the benefit of both the borrower and the bondholder. The three areas addressed were:

- The lack of an Authority derivative policy, without which a swap agreement could discreetly siphon assets from the bondholders' security
- An overly stringent self-insurance/captive monitoring program that placed undue financial stress upon the borrower, and
- An underwriter discount policy that created disproportionate payment allocations between senior managers and co-managers that did not provide appropriate incentives.

The first two items had remained largely unaddressed in the community of conduit bond issuers; therefore, little precedent was available on how to handle their respective concerns. All three of the issues involved complex and high-

ly specialized areas of expertise. Therefore, staff created specialized industry working groups specific to each of the three topics to help create new policies that protected both the financial stability of the borrower and the security of the bondholder.

The working groups' efforts resulted in three new Authority policies adopted in 2008 with the understanding that the new guidelines would be carefully monitored to evaluate their effectiveness. The three new policies are highlighted in the following pages.

Derivative Policy

While derivative contracts can provide a borrower with effectively lower interest costs, they come with several risks, some of which may unknowingly effect the bondholders. A negative market movement could require additional security or collateral to be deposited by a borrower engaged in a swap, and that might reduce the bondholders' security. The working group sought to provide protection to the bondholders in these instances without unfairly restricting the borrower's financial management tools.

The resulting Authority derivative policy includes the following:

- The covenant will only be applied to unenhanced bond issues using a public sale.
- Derivatives for hedging purposes may be used if 1) the counterparty is rated "AA" or better, 2) the borrower provides certain information to the Trustee and Authority, and 3) there is no event of default, either existing or expected.
- Borrowers must meet specific financial criteria in order to enter derivatives for speculative purposes.
- Counterparties must meet certain financial criteria in order to receive security of equal benefit to that of the bondholders.
- A borrower must comply with established financial criteria in order to meet the collateral requirements of the derivative agreement.
- A borrower must provide ongoing information to the Authority such as "mark-to-market" values, copies of the borrower's derivative policy, and a listing of the borrower's outstanding derivative agreements.

Self-Insurance/Captive Monitoring Program

In 2003, the Authority established a self-insurance/captive insurance policy to add a layer of protection for the bondholders whose security could be at risk if a poorly-designed self-insurance plan was tested and failed. The 2003 policy stated that a borrower may change from commercial insurance to a self-insurance or captive insurance program at the primary coverage level only if the Authority permits the change. In order for the Authority to permit it, the borrower's self-insurance or captive insurance entity had to obtain an annual investment grade rating from a rating agency such as A.M. Best. This proved difficult, if not impossible, for some borrowers. The financial profile of some hospitals precludes their ability to achieve a high enough rating regardless of how well-funded its self-insurance or captive insurance program is. Others could only achieve the required rating by increasing reserves to the point that it creates a drain on the hospital. Also, A.M. Best would not provide a rating for self-insurance trusts, thereby eliminating that method of self-insurance for Authority borrowers.

The Authority's new insurance covenant provides a borrower with two options:

- **Option 1:** The borrower can provide a qualified insurance rating from an insurance rating agency such as A.M. Best; or,
- **Option 2:** The borrower can continuously meet certain conditions required by the Authority including: minimum funding requirements; annual delivery of professional certifications to the Authority, trustee and the borrower; and, the receipt of an unqualified audit opinion on the self-insurance or captive insurance program. Additionally, self-insurance and captive insurance programs are prohibited from covering professional liability for any physician unless he or she is employed by the hospital.

Regardless of the option chosen, complete disclosure of existing insurance programs must be made in a borrower's Official Statement.

Underwriter Discount Policy

It had been the Authority's long-standing practice when co-managers are appointed to require that the sales commission portion of the underwriter discount (the "take-down") for orders identified as "net designated," be paid to at least three managers, with no single firm getting more than 50%. This practice had often been criticized for (1) encouraging underwriters to negotiate for a larger overall underwriter discount (at the expense of the borrowers) in order for the senior manager to receive a minimum level of compensation, and (2) allowing for less than enthusiastic co-managers to be guaranteed a larger takedown than is earned.

The Authority hopes that the following new formula results in lower fees without negatively affecting the broad distribution of Authority bonds:

- The designation of at least three managers is still required; however, the only specification regarding takedown percentages is that each of these three firms receive at least 15%, thereby permitting the senior manager to vie for 70% of the sales commission rather than 50%.
- If a bond purchaser designates to more than three managers, the additional designations do not have a minimum requirement. Therefore, any fourth or fifth firm designated can be given less than 15%.
- In order to ensure that co-managers provide service to the transaction and are not collecting a commission without effort, Authority staff will request that co-managers provide detailed information on their sales efforts when there is concern.

2008 Financings In Review

New Bond Issues

Despite a near standstill in the last quarter, the Authority had its second highest total annual bond issuance in 2008. The Authority issued \$1,272,380 through twelve series of bonds on behalf of nine borrowers.

NJHCFFA 2008 Issues

Completed Bond Issues	Issue Structure	Par Amount
Christian Health Care Center	Equip. Rev. Note Program; Private Placement	\$3,500,000
Hackensack University Medical Center, Series 2008	Fixed Rate; Public	\$249,180,000
Warren Hospital, Series 2008A & 2008B	Fixed Rate; Private Placement	\$45,840,000
Atlantic Health System, Series 2008A, 2008B, & 2008C	Fixed (Ser. A) & Variable (Ser. B & C) Rate; Public	\$354,220,000
Underwood-Memorial Hospital, Series 2008	Variable Rate; Public	\$62,000,000
St. Michael's Medical Center, Series 2008A	Fixed Rate, Hospital Asset Transformation Program	\$252,545,000
Somerset Medical Center, Series 2008	Variable Rate; Public	\$25,930,000
St. Joseph's Healthcare System, Series 2008	Fixed Rate; Public	\$248,910,000
Holy Name Hospital, Series 2008	Variable Rate; Private Placement	\$30,255,000
		\$1,272,380,000

Conversions

In 2008, the Authority converted \$271,975,000 worth of auction rate bonds into either a fixed rate or variable rate format on behalf of two borrowers.

Bond Conversions

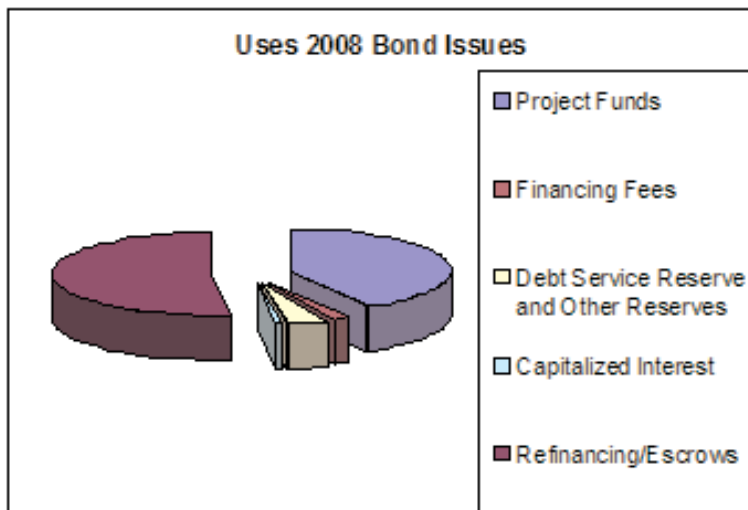
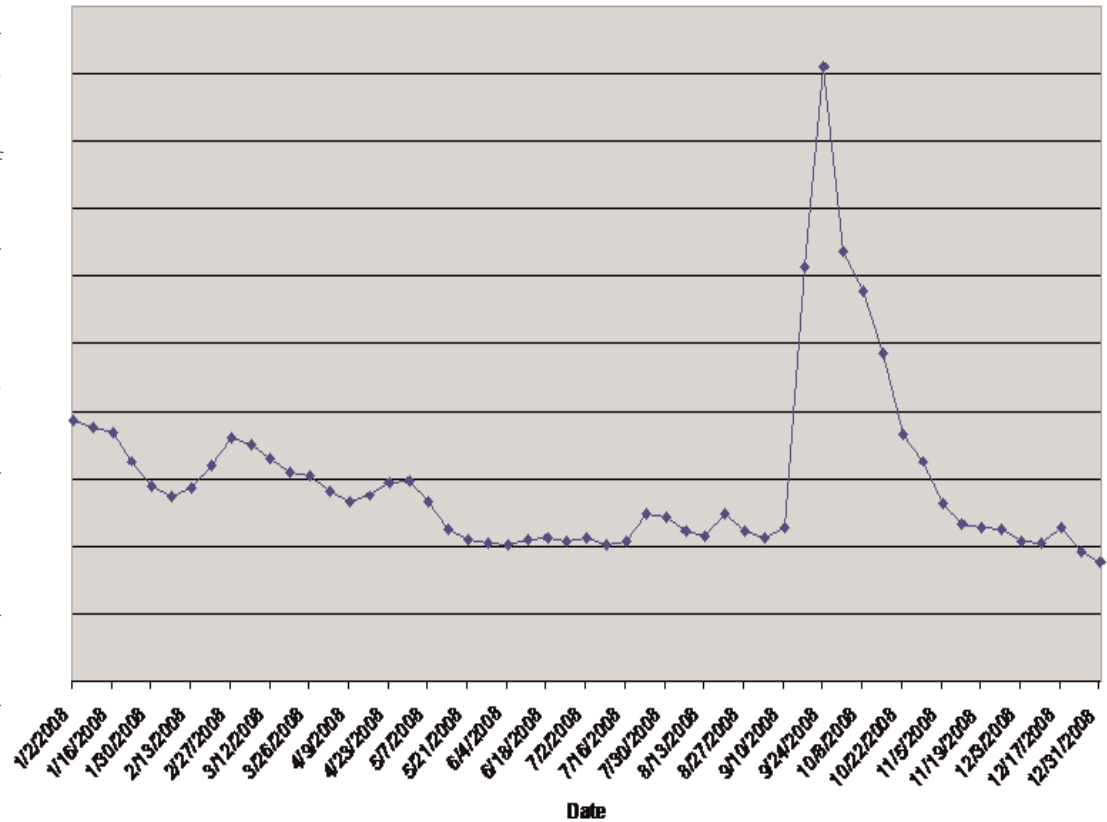
Meridian Health System	From Auction Rate to Variable Rate	\$97,000,000
Meridian Health System	From Auction Rate to Fixed Rate	\$145,125,000
CentraState Medical Center	From Auction Rate to Variable Rate	\$29,850,000
		\$271,975,000

Interest Rates

Of the twelve series issued, six were structured, at least initially, in a fixed rate format. The highest all-in interest cost for an Authority fixed rate bond issue in 2008 was 10.82% on behalf of Warren Hospital's federally taxable series.

In 2008, variable interest rates for Authority bonds varied with the highest rates occurring the week of September 24, 2008 (averaging 7.86%) and the lowest occurring the week of December 31, 2008 (averaging 0.969%). The highest variable rate in 2008 for an Authority tax-exempt bond issue was 9.25%, and the lowest was 0.35%.

The chart at right demonstrates the movement of the average variable interest rate for all of the Authority's variable rate bonds throughout 2008.



Further description of each of the Authority's 2008 transactions is provided on the following pages.

Six of the Authority's nine 2008 borrowers used all or a portion of the bonds in a refunding capacity.

Hackensack University Medical Center, Series 2008 **\$249,180,000**

Hackensack University Medical Center, a 781-bed teaching and research hospital affiliated with the UMDNJ - NJ Medical School, is Bergen County's largest employer with a work force of more than 7,200 employees and an annual budget of \$1 billion. The campus houses hundreds of specialty inpatient and outpatient services, as well as the Hackensack University Medical Plaza, which is a nine-story, 276,000 square-foot facility used for physician offices and medical center programs. In addition, the Center's main facilities include: The DON IMUS/WFAN Pediatric Center for Tomorrows Children, The Sarkis & Siran Gabrellian Women's and Children's Pavilion, The Joseph M. Sanzari Children's Hospital, The David Joseph Jurist Research Center for Tomorrows Children, The Jeffrey M. Creamer Trauma Center, The Donna A. Sanzari Women's Hospital, The Sarkis & Siran Gabrellian Child Care and Learning Center, The Audrey Hepburn Children's House, and The Hekemian Conference Center. <http://www.humed.com/>



Rendering of HUMC's new cancer center

Delivery Date:	April 10, 2008
Final Maturity Date:	January 1, 2041
Ratings:	"AAA" by Fitch, and "Aaa" by Moody's
Enhancement:	Insured by Assured Guaranty
All-in True Interest Cost:	5.53%

The proceeds of the bonds, together with an equity contribution of \$50 million, were used to: fund the construction and equipping of a new approximately 155,000 square-foot cancer center, construct a 975-space parking garage, and purchase various items of capital equipment.

Atlantic Health System \$354,222,000

[Series 2008A: \$177,110,000; Series 2008B: \$88,555,000; & Series 2008C: \$88,555,000]

Atlantic Health System ("AHS") includes Morristown Memorial Hospital in Morristown and Overlook Hospital in Summit. Renowned for its breadth of cardiac services, Morristown Memorial Hospital performs the second most heart surgeries in the New York metropolitan area. Overlook Hospital, a leader in comprehensive stroke care and neurosciences, was the first hospital in the Northeast to use CyberKnife technology. AHS is the primary academic and clinical affiliate in New Jersey of Mount Sinai School of Medicine and The Mount Sinai Hospital.

<http://www.atlantichealth.org>



AHS' Morristown Memorial Hospital funded numerous upgrades with auction rate bonds in 2007 and refunded those bonds in 2008 to exit the auction rate market

Delivery Date:	Series 2008A - May 13, 2008; Series 2008B & 2008C - May 14, 2008
Final Maturity Date:	Series 2008A - July 1, 2027; Series 2008B & C - July 1, 2036
Ratings:	Series 2008A - "A1" by Moody's & "A+" by S&P; Series 2008B & C - "Aaa/VMIG-1" by Moody's & "AA+/A-1+" by S &P
Security:	Series 2008A - Note issued under a Master Trust Indenture, secured by a pledge of gross receipts to evidence Hospital Corporation's obligation under the Loan Agreement Series 2008B - Bank of America Letter of Credit Series 2008C - JPMorgan Chase Bank, N.A. Letter of Credit
True Interest Cost:	Series 2008A - 5.025%
Initial weekly Interest Rate:	Series 2008B & C - 1.65%

In order to restructure AHS' existing auction rate bond debt as quickly as possible because of the difficulties felt in the auction rate bond market, Bank of America and JPMorgan Chase provided interim financing to tender AHS' auction rate bonds. The proceeds of these three series of bonds were used to refund this interim debt through low-cost bond issuance.

Underwood Memorial Hospital, Series 2008 \$62,000,000

Underwood-Memorial Hospital is a 305-licensed bed, acute-care, non-profit hospital serving Gloucester County and parts of Salem and Camden counties. With over 1,800 full and part-time employees and a medical dental staff of almost 400, Underwood provides a comprehensive array of diagnostic, therapeutic and rehabilitative services in the comfort, convenience and security of a community hospital setting. Underwood-Memorial Hospital received accreditation with full standards compliance commendation from the Joint Commission, the nation's oldest and most respected independent accrediting body. This is the highest level of accreditation awarded to only those hospitals achieving a score in the 90th percentile range and above, an extremely small percentage of hospitals nationwide.
<http://www.umhospital.org/>



Underwood-Memorial expansion project funded with auction rate debt in 2004 that was refinanced in 2008 to exit the auction rate market

Delivery Date:	May 22, 2008
Final Maturity Date:	July 1, 2033
Ratings:	"Aa1/VMIG 1" by Moody's & "AA-/A/1+" by S&P
Security:	Direct-pay letter of credit from UBS AG
Initial weekly Interest Rate:	1.50%

The proceeds of the bonds were used to currently refund all of the Authority's outstanding Series 2004 Bonds and pay the related costs of issuance in order to restructure Underwood's existing auction rate bond debt.

Saint Michael's Medical Center, Series 2008A* **\$252,545,000**

St. Michael's Medical Center is a 357-bed regional tertiary care, teaching, and research center in Newark's business and educational district. Formerly one of Cathedral Health Services' hospitals, St. Michael's is now an affiliate of Catholic Health East. Catholic Health East is a multi-institutional Catholic health system based in Newtown Square, Pennsylvania. With facilities located in 11 states (including 32 acute care hospitals), Catholic Health East is the largest provider of home health care services (ranked by number of visits) in the nation. <http://www.che.org/> (Catholic Health East)



Exterior St. Michael's Medical Center

Delivery Date:	July 31, 2008
Final Maturity Date:	October 1, 2038
Ratings:	"A+" rating from Fitch, "A1" from Moody's, and "AA-" from S&P
True Interest Cost:	5.32%
Security for the Bonds:	A contract with the State Treasurer pursuant to the Hospital Asset Transformation Program whereby the State Treasurer agrees to pay principal and interest on the bonds subject to appropriation by the legislature
Security for the Loan:	A mortgage on the Medical Center and a gross revenues pledge

The proceeds of the bonds were used to fund Catholic Health East's acquisition of Saint Michael's Medical Center, and to fund the termination of acute care services at Saint James Hospital and Columbus Hospital and transfer their acute care services to Saint Michael's Medical Center in an effort to consolidate inpatient acute care services in the City of Newark.

****Issued through the Hospital Asset Transformation Program***

Somerset Medical Center, Series 2008

\$25,930,000

Somerset Medical Center is a 355-bed regional medical center that provides central New Jersey with a variety of comprehensive emergency, medical/surgical and rehabilitative services, as well as a broad range of community programs ranging from health fairs and screenings to seminars and support groups. As a major clinical affiliate of the University of Medicine and Dentistry of New Jersey-Robert Wood Johnson Medical School (RWJMS), the Medical Center operates a family medicine residency program and hosts residents specializing in obstetrics/gynecology, psychiatry and other specialties. Its 652-member medical and dental staff represents all major medical and surgical specialties and has one of the highest percentages of board-certified doctors in New Jersey. Also, the Medical Center ranks in the top 20 percent of hospitals in New Jersey in the number of cardiac procedures performed.

<http://www.somersetmedicalcenter.com/>



Exterior Somerset Medical Center

Delivery Date:	August 7, 2008
Final Maturity Date:	July 1, 2024
Ratings:	"Aa2/VMIG1" by Moody's
Enhancement:	TD Bank N.A. Letter of Credit
Initial Interest rate:	1.85% (reset weekly)

The proceeds of the bonds were used to currently refund all of the Medical Center's Series A bonds issued through the Authority in 1994 and to acquire various pieces of equipment including a CT scanner.

St. Joseph's Healthcare System, Series 2008 \$248,910,000

St. Joseph's Healthcare System is a multi-corporation integrated-delivery system providing a broad range of health care services in northern New Jersey. The System includes: St. Joseph's Regional Medical Center and St. Joseph's Children's Hospital in Paterson, St. Joseph's Wayne Hospital in Wayne, St. Vincent's Nursing Home in Cedar Grove, and Visiting Health Services of New Jersey, Inc. in Totowa. With more than 1,400 physicians and nearly 5,000 employees, St. Joseph's Healthcare System is the largest employer in Passaic County and the third largest provider of charity care in New Jersey. <http://www.stjosephshealth.org/>



Exterior St. Joseph's Regional Medical Center

Delivery Date:	August 13, 2008
Final Maturity Date:	July 1, 2038
Ratings:	"Ba1" by Moody's, "BBB-" by S&P
Security:	A Note issued under a Master Trust Indenture, secured by a pledge of gross receipts and a mortgage on the hospital properties
All-in True Interest Cost:	7.21%

The proceeds of the bonds were used at the St. Joseph's Paterson facility to: construct and equip a 4-story building, including an emergency department, twelve operating rooms, a sterile services facility, two critical care units and a helicopter landing pad; create a new lobby and other ground floor improvements; renovate a portion of the facility to be used for pediatric and adult clinical services; and fund various other renovations and equipment acquisitions. Proceeds were used at St. Joseph's Wayne facility to renovate, expand and equip two operating rooms, and to renovate and equip the intensive care, critical care, and various other units at the hospital. Proceeds also refunded outstanding Authority bonds (Series 1996 A and Composite Program Series 2003 A-6 bonds), as well as a loan from Valley National Bank issued in connection with the acquisition of the Wayne facility.

Holy Name Hospital, Series 2008 **\$30,255,000**

Founded and sponsored in 1925 by the Sisters of St. Joseph of Peace, Holy Name Hospital has grown to become a comprehensive 361-bed acute-care medical center. Holy Name Hospital provides high quality health care through its centers for cancer care, cardiovascular services, interventional radiology, dialysis treatment, women's health care and neurology services, and various other state-of-the-art diagnostic, treatment, and health management services. Employing more than 700 board-certified physicians in numerous specialties and sub-specialties, Holy Name annually serves more than 26,000 inpatients, 44,000 Emergency Department patients and 18,000 outpatient clinic and ambulatory surgery patients. Holy Name is affiliated with the New York-Presbyterian Health System and is an academic affiliate of the Columbia University College of Physicians and Surgeons. www.holyname.org/



Holy Name Hospital's new emergency care center

Note: The bonds were privately placed with Bank of America, NA.

Delivery Date:	November 13, 2008
Final Maturity Date:	July 1, 2036
Ratings:	None
Security:	Parity obligations secured by mortgaged property and gross receipts of the Hospital for the equal benefit of the holders of the remaining Series 1997, 2006 and 2008 Bonds
All-in True Interest Cost:	5.20%

The proceeds of the bonds were used to currently refund a portion of the Authority's Holy Name Hospital Series 1997 bonds and to refinance a taxable loan in the approximate amount of \$3.7 million extended by UBS Paine Webber, Inc.

Authority Staff

(at the time of print)

Office of the Executive Director

Mark E. Hopkins, *Executive Director*

Carole Conover, *Executive Assistant - Office Manager*

Robin Piotrowski, PHR, CPS, *Human Resources Manager*

Stephanie Bilovsky, *Communications Specialist*

Lorraine Donahue, *Office Management Assistant*

Division of Project Management

Louis R. George, *Director of Project Management*

William McLaughlin, *Project Manager*

Suzanne K. Walton, *Project Manager*

Mae C. Jeffries-Grant, *Administrative Assistant*

Division of Operations and Finance

James L. Van Wart, *Director of Operations &*

Finance, also Custodian of Record

Michael B. Ittleson, *Controller*

Bernard J. Miller, Jr., *Construction Manager*

Wanda L. Lewis, *Senior Account Administrator*

Ronald S. Marmelstein, *Senior Account Administrator*

Marjorie P. McAvoy, *Account Administrator*

Taryn Jauss, *Accountant*

Diane Johnson, *Senior Assistant Account Administrator*

Jessica Waite, *Assistant Account Administrator*

Edwin Fuentes, *Assistant Account Administrator*

Kerry Cook, *Administrative Assistant*

Division of Research, Investor Relations and Compliance

Stephen M. Fillebrown, *Director of Research, Investor Relations &*

Compliance, also Deputy Executive Director

Susan M. Tonry, CPA, *Assistant Director Research, Investor Relations and Compliance*

Arvella King, *Compliance Manager*

Emmerson E. Sullens, *Information Technology Specialist*

Priscilla I. Copper, *Database Administrator and Administrative Assistant*

...and one 2008 retiree*...

On June 30, 2008, staff bid farewell to its third retiree, **Robert A. Day**, who exited the Authority after having served as Account Administrator for over 15 years. Upon retirement, he planned to do volunteer work, teach some classes in the "Learning Is For Everyone" (LIFE) program, travel, and enjoy living. Staff and the Members were thankful for the work he contributed and wished him best of luck in his future endeavors.

**In 2009, the Authority was sad to see Dennis Hancock and Evelynne Burroughs also retire from the Authority. Their exit will be detailed further in the 2009 annual report.*

The New Jersey Health Care Facilities Financing Authority

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