NJHCFFA
AUTHORITY NOTE$
2012 SERIES B

MESSAGE FROM THE EXECUTIVE DIRECTOR


Mark Hopkins

In June, Gus Escher's tenure with the Authority concluded after 10 years of service on our Board. He held numerous positions over that time and most recently served as Vice-Chair. Gus was a valuable asset to the Authority as a whole, and to me in particular, in dealing with complicated or unusual financings. Although we will miss Gus, we are very excited to welcome our newest member, Elisa A. Charters, CCIM. You can find out more about both of them on page 2.

Before he left the Authority, Gus was able to see through the approval of our first Master Leasing Program to Barnabas Health (page 2). Representatives from Barnabas worked closely with our staff throughout 2011 to craft a program that would be specifically beneficial to hospital systems with multiple locations all in need of leasing equipment. You can read more about the details of this exciting new program on page 5.

In addition to the Barnabas Health Master Lease, the Authority closed on three other transactions since March 1 of this year that supported New Jersey hospitals. Through July 31, Authority financings totaled over $213 million. More details on the most recent transactions can be found throughout this newsletter.

As we go to print, there are three additional not-for-profit health care organizations at various points in the financing process. While there are a number of areas of uncertainty throughout both the financial sector

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POST-ISSUANCE COMPLIANCE PROCEDURES FOR BORROWERS

In April of 2011, the IRS amended Form 8038 (Information Return for Tax-Exempt Private Activity Bond Issuers) to include two questions regarding compliance procedures that issuers have in place post-issuance with respect to their tax-exempt bond issues.

The first question asks the Authority if there are established written procedures for remediating bonds to preserve tax exemption in the event that the "private use" limitations are violated. The second asks if the issuer has established written procedures to monitor compliance with the arbitrage requirements under section 148 of the Code.

In response to the amended form, the Authority updated its internal policy in April of 2011 to address this rule change. It is now required that borrowers have written procedures related to the actions to be taken should their bonds no longer qualify as tax-exempt. The procedures must be submitted to the Authority prior to contingent sale approval, or at the very latest, by closing.

While the Authority has always taken the utmost care to ensure that all procedures are being properly followed, in order to provide fuller transparency and to ensure the two questions on Form 8038 could be affirmed with full confidence, the Authority added new language to our loan agreements in 2012 to reflect the new internal policy. The new language was added to the "Tax Exempt Status of the Bonds" section and, among other items, states that borrows need to establish written procedures to remediate a situation where issued bonds no longer constitute "qualified 501(c)(3) bonds." These procedures must be provided to the Authority within five days of being requested. The borrower is also required to notify the Authority as soon as practical if it believes it is not in compliance with any provision of the Code.

Borrowers that have any questions about the procedures and/or requirements can contact Project Management Director Suzanne Walton at (609) 292-8585 ext. 116. §

NEW MEMBER JOINS BOARD

On June 28, the State Senate consented to the appointment of Elisa A. Charters, CCIM, to fill the seat on the Authority Board previously held by Gus Escher. Her term will expire on April 30, 2014.


Elisa A. Charters

The Cedar Grove, NJ resident is principal of Toussa International LLC, a wholesale distribution and sourcing company of children's apparel imported from South America. She previously served as Manager of World Trade Center Site Acquisitions & Operations for the redevelopment effort of the Port Authority of New York & New Jersey (PANYNJ) post 9/11.

Prior to taking on this vital role in 2001, Charters was a senior manager acting in various capacities at PANYNJ, including the management of 125 acres of waterfront properties in New York and New Jersey with an estimated public and private investment of $3.6 billion. As Senior Financial Analyst, she provided the PANYNJ Real Estate Department with lease analysis and valuation services of the original WTC complex.

Charters has volunteered her time to both not-for-profit organizations and public boards over the years including the Junior League of Montclair/Newark (where she received the 2010 award for "JLMN Volunteer of the Year"), the Statewide Latino Leadership Alliance of New Jersey (LLANJ), the Essex County Planning Board and the Minority and Women Business Development Advisory Council.

Charters is a Certified Commercial Investment Member (CCIM) and is a graduate of New Jersey Institute of Technology, New York University and Columbia University with advanced degrees in Environmental Science, Real Estate Finance and International Finance and Business, respectively.

Charters replaces Gus Escher, who was first appointed a Member of the New Jersey Health Care Facilities Financing Authority in 2002. Throughout his tenure as a Member of the Authority, he served in various elected positions, including that of Vice-Chair, Treasurer, Secretary, Chairman of the Authority's Finance Committee and Assistant Secretary.


Gus Escher

Escher served under five Governors, five Commissioners of Health and Senior Services and participated in the issuance of over $7 billion in bonds during his tenure. The Authority appreciates Escher's dedication to the Authority and the professionalism with which he carried out Authority business, and wishes him luck in all of his future endeavors. §

MESSAGE FROM THE EXECUTIVE DIRECTOR

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and the health care industry, the Authority is proud to serve as a constant in these ever-changing worlds. The options that we offer allow health care providers throughout the State to save critical dollars whenever possible, which in turn allows these institutions to take their savings and invest them in the programs and services that support their community. §

FINANCING NOTE$

AtlantiCare Regional Medical Center

The Authority issued $41,810,000 of bonds on behalf of AtlantiCare Regional Medical Center Obligated Group on April 11, 2012 through a private placement with PNC Bank, National Association. The proceeds of the Series 2012B bonds, together with other funds, were used to provide funds to refund and redeem all of the Authority's outstanding Revenue and Refunding Bonds, Atlantic City Medical Center Issue, Series 2002 and to pay the related costs of issuance.

The Series 2012B bonds will have a final maturity not to exceed July 1, 2025. The bonds are multi-modal and shall initially bear a fixed interest rate of 2.35% per annum from closing until July 1, 2022 at which time the Series 2012B bonds are subject to a mandatory tender unless the borrower and the bank have previously agreed to an extension of such mandatory tender date.

AtlantiCare Regional Medical Center

Barnabas Health

In March of 2012, the Authority entered into its first Master Lease Agreement, marking a new program to support the

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Saint Barnabas Medical Center

unique needs of hospital systems. The Master Lease Agreement with Barnabas Health has a cap of $70 million at interest rates not in excess of 12%.

The program will be initiated across all tax-exempt affiliates within the Barnabas Health System. Each sublessee will enter into a Master Lease Agreement with one or more lessors, so long as the aggregate amount permitted under all of the Master Lease Agreements does not exceed $70 million.

The funds from the Master Lease Agreements, together with other funds, will be used to (1) finance the costs of leasing health care equipment, including equipment for radiology, cardiology, pediatric, obstetrics, nuclear medicine, oncology and general medicine purposes and for computer related purposes and (2) finance legal, accounting, consulting and other administrative costs related to the tax-exempt leasing program.

Barnabas Health has received funding commitments from two to four firms who are interested in participating in the program as lessors. It is possible that other funding commitments will be received in the future.

Englewood Hospital and Medical Center

On May 1, 2012, the Authority closed on a Capital Asset Program (CAP) loan to Englewood Hospital and Medical Center in the amount of $4.5 million

Funds from the loan will be used to finance and/or reimburse the Medical Center for the acquisition of capital equipment including, but not limited to, nursing monitors, an ultrasound machine, information technology servers and cardiac cath lab equipment.

JPMorgan Chase Bank, provider of the credit and liquidity support for the CAP Program, performed an independent credit analysis and approved the loan subject to the medical center providing a first priority security interest in the equipment being financed with loan proceeds.

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Englewood Hospital and Medical Center

NJHCFFA STAFF NOTES

Retirement

The Authority said goodbye to **Lou George**, Director of Project Management, when he retired in March. We wish him luck in all of his future endeavors.

Pictured above: Lou George (right) receives a Resolution of Appreciation from Executive Director Mark Hopkins.

Promotions

Congratulations to **Suzanne Walton** who was promoted to Director of Project Management in April. She has been with the Authority over 25 years and most recently served as Project Manager.

Congratulations to **Tracey Cameron** who was promoted to Administrative Assistant for the Division of Project Management and Division of Research, Investor Relations and Compliance. She has been with the Authority since 2009 and most recently served as Office Management Assistant.

Anniversary

Jessica Lucas, Account Administrator, celebrated 5 years with the Authority on July 30!

Welcome

Welcome to the newest Authority Staff Members:

Miriam Bolger

Miriam Bolger, the HIT (Health Information Technology) Project & Grant Manager, has a bachelor's degree in Medical Technology from Temple University and an MBA from Philadelphia University. She is a certified Project Management Professional and previously worked at UHS of Delaware, a healthcare management company, where she served as Project Manager of Grants and as an SMS Interface Analyst.

Taryn Brzdek

Taryn Brzdek, Office Management Assistant, has associates degrees in both General Business and Office Systems Technology from Mercer County Community College (MCCC). Before accepting this permanent position, she filled this role at the Authority on a temporary basis. She previously worked as an Office Manager at School Aged Fun and Enrichment in Robbinsville.

Hilary Freed

Hilary Freed, Database Administrator, has a bachelor's degree in Economics from Bucknell University. While attending Bucknell, she spent one summer working as a Research Assistant at the Rutgers Center for Health Care Policy and another summer as a Research Analyst at the Bucknell Institute for Public Policy.

Carl MacDonald

Carl MacDonald, Project Manager, has a bachelor's degree and an MBA, both from Seton Hall University. Most recently he was Financial Advisor at H.D. Vest Investment Services. He previously worked as an Associate in Public Finance at TD Securities and an Account Executive at Commerce Insurance Services.

Recognition

Former Authority employee **Sue Tonry,** who had served as Assistant Division Director of Research, Investor Relations and Compliance before leaving her position to fight a courageous battle with cancer, was selected as one of the 2011-2012 NJ State Governor's Jefferson Award Honorees in the "Health Care Individuals" category. The award is given to individuals who, through voluntary service, do extraordinary things for their community. The award is very well deserved.

Congratulations

Compliance Manager **Taryn Jauss** welcomed daughter MiKayla Lynn on July 6!

MiKayla Lynn

MASTER LEASING PROGRAM LAUNCHED

In an ongoing process of finding new ways to support the not-for-profit health care organizations throughout the State, Authority Staff are always looking for innovative options to save money for borrowers.

MRI Machine ©iStockphoto.com/mayo5

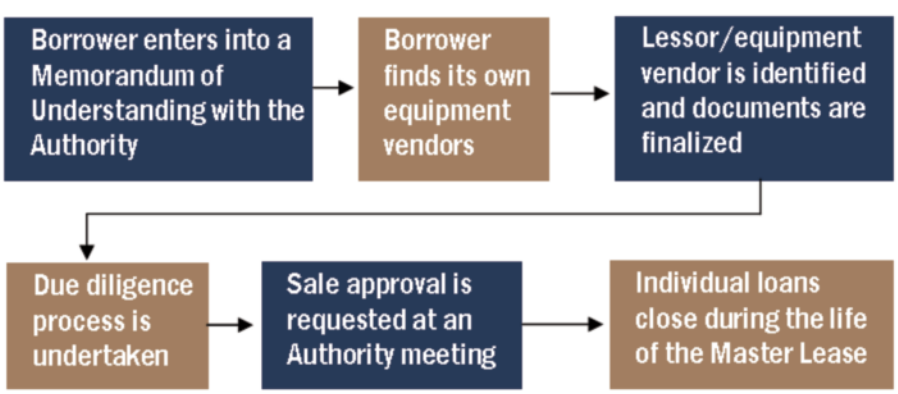
At the end of 2011, another opportunity became available when the Authority created the Master Leasing Program to meet the unique needs of health care systems. Through this new program, the various members of a system are able to access tax-exempt equipment leases through a pre-arranged master leasing financing.

The Authority approves the system for a total dollar amount and the system's members can enter into separate leases with each lessor or equipment vendor over a 10-year period up to the pre-determined dollar amount.

On March 30, Barnabas Health took the initiative to become the trail-blazing borrower for this program when it completed the first master leasing program (see page 2 for more information). We look forward to more hospital systems taking advantage of this speedy and cost-efficient program as they forge ahead into the ever-evolving health care environment.

Benefits for health care systems include low interest rates; negotiated lease term that parallels the life of the equipment; security provided through equipment liens and/or master indenture notes; pre-approved negotiated process and standardized documents to cut drafting time. In order to be eligible for the program, the issue size must be greater than $15 million and proceeds must be used only for equipment acquisition costs. §

The **Master Leasing Program** process includes the following:



MSRB RELEASES NEW UNDERWRITER REGULATIONS

On May 4, the Securities and Exchange Commission (the "SEC") approved an Interpretive Notice of the Municipal Securities Rulemaking Board (MSRB) requiring that additional disclosures be made by underwriters to state and local government clients.

The regulations, which went into effect August 2, have the full force of federal law. They state that underwriters must go beyond previous protections prohibiting dishonest or deceptive practices, and instead disclose certain information. These added regulations come in response to the Dodd-Frank Act which amended Section 15B of the Securities Exchange Act of 1934 to add that the MSRB rules were also to protect "municipal entities."

Disclosures that must now be made by the underwriters in writing include:

- The underwriter's primary role is to purchase securities with a view to distribution in an arm's-length commercial transaction, and its financial interests differ from those of the issuer
- The underwriter does not have a fiduciary duty to the issuer
- Underwriter is prohibited from recommending that an issuer not hire a municipal advisor

Underwriters must also disclose pertinent information including:

- Whether compensation is contingent on the closing of a transaction or the size of the transaction
- The material financial risks and characteristics of the transaction
- Actual or potential material conflicts of interest, including certain payments to and from third parties, profit-sharing with investors and credit default swap disclosures

Some, but not all, of these disclosures may already be present in the language of existing documents. Underwriters should review their documentation to ensure that they are in compliance with each of these new requirements. §

FINANCING NOTE$

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Kennedy Health System
On July 30, 2012, the Authority issued $66,035,000 of tax-exempt, fixed-rate bonds on behalf of Kennedy Health System. The Series 2012 Bonds had serial bonds from 2013 to 2022 with yields ranging from 0.75% to 3.10%, and term bonds maturing in 2027, 2031, 2037 and 2042 with yields ranging from 3.85% to 4.05%. The bonds had an all-in True Interest Cost of approximately 4.12% and a present value savings of approximately $8.8 million dollars, or 15% of the refunded bonds.

The proceeds of this transaction were used to refund the Authority's Kennedy Health System Obligated Group Issue, Series 1997A and Series 2001 bonds; finance capital expenditures at three Kennedy Health divisions; and pay the related costs of issuance. §

Kennedy University Hospital - Washington Township

NJHCFFA MEMBERS

NJHCFFA SENIOR STAFF

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