# *New Jersey Health Care Facilities Financing Authority*

# *2003*

## REPORT ON ANNUAL OPERATIONS

## *Our 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 Governor

Dear Friends,

The New Jersey Health Care Facilities Financing Authority is a success in many ways, not the least of which was their 2003 issuance of $701 million on behalf of twenty New Jersey healthcare organizations. I want to focus, though, on what has been called the most monumental occurrence in New Jersey health care since the new millennium- the Passaic hospitals and schools construction project. It is one of my Administration's proudest events of 2003, and it would not have been possible without the Authority's vision and determination.

In the early part of 2003, Passaic, New Jersey was a financially troubled community, over-bedded with hospitals and under-built with school facilities. Within miles of each other, The General Hospital Center at Passaic, Passaic Beth Israel Hospital, and St. Mary's Hospital were competing for the same doctors and patients and were all losing money. It was a 20-year health care problem in a community that also ailed from a severe lack of satisfactory educational facilities.

The Authority coordinated communications, schedules and goals between Passaic's health care providers, the New Jersey Schools Construction Corporation, and numerous other state agencies, banking firms, attorneys and community groups. Together, these various organizations crafted a solution to benefit all participants, and more importantly, the community of Passaic.

With the Authority's guidance, two of the three struggling hospitals consolidated, on friendly terms with each other and the community, into a stronger health care provider. This alone would have been a huge victory for the residents and workers of Passaic, however, the benefits did not end there. The Schools Construction Corporation purchased the property made available by the consolidation and is building three new schools and athletic fields for the community, all without Passaic having to lose a ratable asset.

The consolidation of the health care market and the addition of new schools is a win-win solution all around, thanks to the daily problem-solving and coordination of the Authority, who worked meticulously to structure this first of its kind transaction, setting a template for other communities with similar problems in New Jersey's future.

I offer my sincerest congratulations to the members and staff of NJHCFFA for their commitment to New Jersey. I look forward to continued work with the Authority and its drive to identify innovative methods to meet the financial needs of New Jersey's health care industry and the residents of our State.

With all good wishes,

James E. McGreevey

# The Authority

The New Jersey Health Care Facilities Financing Authority, the State's primary issuer of municipal bonds for health care organizations, was created in 1972 by an act of the State Legislature (New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29) for the purpose of ensuring that New Jersey's not-for-profit health care providers have access to low-cost capital. In 1998, the Authority's statutory powers were expanded to include financing for all health care organizations or components thereof.

While most of the Authority's financings have been for acute care hospitals, it has also provided capital for nursing homes, assisted living facilities, specialty hospitals, home health agencies, mobile intensive care units, outpatient centers, rehabilitation centers, homes for multi-handicapped individuals and health maintenance organizations. Because of its expanded legislation, the Authority can also finance other types of health care organizations regardless of their tax status. In its 32-year history, over 140 health care organizations throughout the state have used the Authority to get access to low-cost capital.

The Authority can issue both federally tax-exempt and taxable bonds. The interest on all bonds issued by the Authority is exempt from New Jersey taxation.

## Authority Members

CLIFTON R. LACY, M.D., Chairman and Ex-Officio Member
serves during his tenure as Commissioner of Health and Senior Services

HOLLY BAKKE, JD, Ex-Officio Member
serves during her tenure as Commissioner of the Department of Banking and Insurance

JAMES M. DAVY, Ex-Officio Member
serves during his tenure as Commissioner of the Department of Human Services

NOREEN P. WHITE, Public Member, Vice Chairman, Assistant Treasurer, and Member of the Finance Committee

CARMEN SAGINARIO JR., J.D., Public Member, Secretary and Member of the Finance Committee

GUSTAV E. ESCHER, III, Public Member, Treasurer, Assistant Secretary and Chairman of the Finance Committee

THOMAS A. ZELANTE, J.D., Public Member

## Membership Structure

The Authority, consisting of seven members, meets regularly on a monthly basis and convenes special meetings when necessary to accommodate the financing needs of a potential borrower.

Three of the seven Authority members are ex-officio: the Commissioner of Health and Senior Services, the Commissioner of Human Services and the Commissioner of Banking and Insurance. By law, the Commissioner of Health and Senior Services serves as the Authority Chairperson.

The remaining four Members are appointed by the Governor, with the consent of the State Senate, and serve staggered four-year terms. The Authority's officers are all nominated for and voted upon by the seven Authority Members.

# From the Executive Director

Mark E. Hopkins

Long before my appointment to serve as its Executive Director in August of 2004, I was well aware of the excellent reputation the New Jersey Health Care Facilities Financing Authority had earned throughout the State and in the health care industry in general. In my years as a bond counsel and as a Deputy Attorney General, I saw first hand the outstanding work being done by the Authority.

In addition to being the State's primary issuer of municipal bonds for health care organizations, the Authority has established itself as a vast resource of financial information on and for health care organizations. Under my predecessor, the Authority, refusing to rest on its laurels, expanded its vision to provide the numerous additional services to the health care community that are mentioned in the pages that follow.

The Authority has continued to develop and improve its services thanks to the hard work, unparalleled knowledge and extensive experience of the Authority Members and staff. In addition to providing financing for health care organizations, the Authority continuously monitors borrowers and their projects to assure the investment community that the projects are being carried out as planned.

I am honored to be a part of an entity possessing such a capable staff and accomplishing such a noble mission. I look forward to working with the Members and staff in continuing the Authority's reputation of excellence in providing low cost, efficient financing and more for the health care organizations of New Jersey.

## Authority Senior Staff

**Mark E. Hopkins**
*Executive Director*

Before joining the Authority on August 2, 2004, Mr. Hopkins served as Deputy Attorney General representing the New Jersey Educational Facilities Authority and the New Jersey Housing and Mortgage Finance Agency as issuer counsel. Prior to that, Mr. Hopkins was an associate at the law firm of McCarter & English in the Public Finance Practice Group. He also clerked for the Honorable Eduardo C. Robreno in the United States District Court for the Eastern District of Pennsylvania. Mr. Hopkins earned his Bachelor of Arts degree from Rutgers College in New Brunswick and his Juris Doctor Degree with high honors from Rutgers University Law School at Camden.

**Dennis P. Hancock**
*Deputy Executive Director & Director of Project Management*

Mr. Hancock has over 17 years of experience at the Authority. However, during the period from 1983 to 1992, he was a Vice President with Van Kampen Merritt and William E. Simon and Sons, two investment banking firms, specializing in health care finance. Prior to joining the Authority in 1978, Mr. Hancock had been a certified public accountant with Ernst & Whinney (now Ernst & Young), where he was on both the audit and consulting staffs providing services to health care organizations. Mr. Hancock received his Bachelor of Sciences degree from Virginia Polytechnic Institute and State University.

**James L. Van Wart**
*Director of Operations & Custodian of the Record*

With more than 12 years of experience with the Authority, Mr. Van Wart oversees the Authority's compliance monitoring program and the post-closing financial activities of the Authority's bond transactions. Prior to joining the Authority in 1992, Mr. Van Wart had extensive experience in various financial management positions with State government, private industry and public accounting. Mr. Van Wart received a Bachelor of Science degree in Accounting from St. Peters College in Jersey City.

**Stephen M. Fillebrown**
*Director of Research and Investor Relations*

Mr. Fillebrown is responsible for the research and analysis of policy issues affecting health care financing, and the operation of the agency's monitoring databases and investor relations activities. He currently serves on the Disclosure and Ratings & Credit Enhancement Committees of the National Council of Health Facilities Financing Authorities. He received a Bachelor of Arts degree in Economics from Bucknell University and a Master of Arts degree in Public Policy Analysis from the University of Pennsylvania.

# 2003 - A Year of Outreach

By the year 2003, with over three decades of experience, the Authority had become a well-tuned financing machine. Though it was effective, a vast amount of valuable information collected and analyzed by Authority staff was being under-utilized. In 2003, the Authority challenged itself to become more than a financing vehicle. It chose to use its resources to be a positive influence in the health care community and a catalyst for progressive policy. The Governor's office and the Department of Health and Senior Services recognized the Authority's potential and supported its involvement in state health care affairs.

Between its new desire to be a catalyst and its standing mission of providing access to capital for health care institutions, the Authority launched an aggressive outreach program. While fiscal challenges pooled at the feet of New Jersey's health care organizations, the Authority searched for foundations to stabilize the industry.

Part of the outreach efforts involved the creation of the Authority's Chief Financial Officer Advisory Panel, which was formed so that staff could communicate directly with the very constituents they served. The seven-member panel provided feedback suggesting staff improve the Authority's flexibility in financing, create more state-of-the-art financing products and increase communications between the Authority and the health care community. The Panel's feedback sent the Authority on a mission. Within months, staff began redesigning existing products and crafting new ones to meet the needs of the modern health care borrower. Procedural policies were modified to allow more flexibility when presenting a sale for approval. In addition, new product brochures were printed and the Authority Note$ newsletter was redesigned to be more informative and engaging.

Other 2003 outreach activities included the development of a Self-Insurance Monitoring Program, the organization of a "Greening the Cleaning" retreat, staff speaking engagements at conferences and seminars, the continuation of the APOLLO database to collect audited financial data and report on characteristic trends, and the coordination of In-Service Bureau sessions providing tutorials on issues ranging from pension funding to swap markets.

The Administration encouraged the Authority's outreach efforts and actively sought advice from the Authority on New Jersey health care issues. When a for-profit entity considered entry through the acquisition of an existing hospital in an over-bedded area, the State called on the Authority to provide a better alternative. When a malpractice insurance crisis yielded skyrocketing premiums and doctor protests, the Governor invited several hospital leaders and the Authority's Executive Director to his residence to discuss possible solutions over dinner.

All of these activities (described further in the pages that follow) tapped into the Authority's wealth of health care knowledge and organizational resources. While the Authority worked very closely with the Governor's office and the Department on many different projects in 2003, a mutual respect grew. The support of the Governor's office and the Department is in large part responsible for the Authority's success in effecting positive changes in the health care community.

The Authority and its staff hopes that the outreach success of 2003 has a ripple effect for the Authority's future participation in new areas of involvement. The Authority looks forward to continuing to use its dedicated and knowledgeable employees in coordination with the Governor's office and the Department of Health and Senior Services in the effort to ease the financial burdens of New Jersey's health care industry in 2004 and to improve the health and welfare of the citizens of the State.

# CFO Advisory Panel

In 2003, the Authority staff felt that in order to best address the needs of the health care finance community, it needed to hear from the hospitals' financial executives directly. Seven financial chiefs, believed to represent a cross-section of hospitals (i.e. urban, suburban, teaching, small, large, etc.), were invited to participate in a discussion panel about the Authority and topical financing issues within the healthcare industry.

The participating panel members for 2003 were:

-**Gregory M. Adams,** CFO of Holy Name Hospital
-**Ronald J. Guy**, CFO of Capital Health System
-**Richard D. Keenan**, Senior Vice President of Finance and CFO of The Society of the Valley Hospital
-**James P. Nolan, Jr.**, Vice President of Finance at Atlantic City Medical Center
-**William N. Phillips**, Senior Vice President of Finance and CFO of Meridian Health System
-**Robert M. Segin**, Vice President and CFO of Virtua Health, Inc.
-**Stella Visaggio**, CPA, CFO at Hackettstown Community Hospital

The Authority hosted its first CFO Advisory Panel session on June 4, 2003. Since then there have been two other Panel sessions.

*Steve Fillebrown soliciting feedback from the CFO Advisory Panel regarding the Authority APOLLO reports.*

*Authority staff and financial executive guests listen and learn at an in-service tutorial session about swaps and derivatives.*

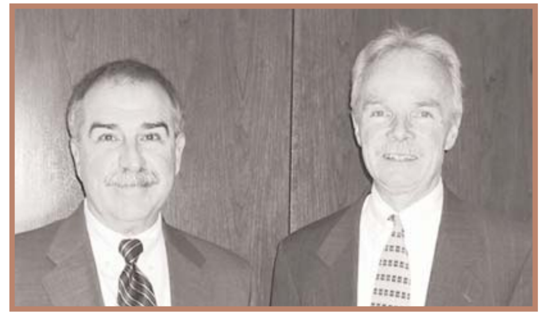
# In-Service Bureaus

In 2003, the Authority reached out to various experts to provide informational sessions to its staff on areas that affect Authority borrowers. In April, PricewaterhouseCoopers educated staff about pension funding and the dangers of a defined benefit pension program. In June, A.M. Best Company taught staff about insurance rating, and in July, Public Financial Management led an educational session about swaps and derivatives.

On occasion, hospital financial executives were also invited to the sessions to learn from the experts. Staff members appreciated having a better understanding of these key issues and, following the sessions, felt more able to discuss these issues with Authority borrowers in relation to their need.

# *Working with the Schools Construction Corporation*

In 2000, New Jersey signed into law a planned State investment of $8.6 billion into public school construction, providing full funding of all renovation and construction projects in 30 special needs school districts known as Abbott districts. The Schools Construction Corporation (the "SCC") was deemed the entity in charge of realizing the goals of the new Act, with perhaps the most daunting task being the location of viable land for new school construction. Aside from the sheer scarcity of available land in New Jersey, especially in urban areas, municipal governing bodies are reluctant to turn ratable properties into school properties. As a result, the SCC was often faced with buying residential properties from multiple owners, from which they would have to relocate families-- a costly and time-consuming prospect.



*Fred Repagno (left) and Jack Spencer (right) of the Schools Construction Corporation*

In 2003, Atlantic Health System looked to sell The General Hospital Center of Passaic ("The General") due to the area's over-bedding. The Authority saw in this an opportunity to help Passaic in an innovative way. The Authority communicated with The General and other Passaic hospitals, introducing them to the SCC. The Authority also coordinated communications between the hospitals, the State Department of Health and Senior Services and the Attorney General's Office.

After roughly ten months of diligence, on December 30, 2003, the Authority successfully completed a groundbreaking transaction. Beth Israel Hospital Association of Passaic ("PBI") sold its facilities to the SCC and used the funds from that sale to purchase and relocate to The General.

*PBI sold its former location to the SCC for the construction of new school facilities in Passaic.*

On PBI's former site, the SCC is now building a new middle school, elementary school, early childhood center, board of education offices, a soccer field, and underground parking structures for these schools and others in the area. Roughly 2,440 youths will be enrolled in the new facilities. In addition to the educational benefit, the hospital consolidation resulted in a huge health care benefit for the community. Once over-bedded with three struggling hospitals, Passaic now has two stronger facilities with more than adequate staffing.

Through this transaction, the SCC and the Authority recognized the advantages of a close relationship between health care and education construction. Together they maximized their use of resources and defined the processes for appraising and acquiring hospital property for school construction. Both organizations hope that their joint effort has set a template for other communities finding themselves in similar situations in the future. Several other hospitals have already been in talks with the SCC since the successful collaboration of Passaic.

# *The Authority Presents "Greening the Cleaning"*

On October 8, the Authority hosted an informational retreat. The guest list, aside from the Authority's Members and project management division, included representatives from the State Department of Health and Senior Services, the Attorney General's Office, the Office of the State Treasurer and the Office of the Governor.

The guests first heard from Commissioner Lacy who did an overview of the Department of Health and Senior Services' activities. Then, the guests heard from Deirdre Imus, Founder and Director of the Deirdre Imus Environmental Center for Pediatric Oncology at Hackensack University Medical Center ("HUMC"), on the merits of environmentally sound, or "green" health care facilities. Ms. Imus developed the "Greening the Cleaning" movement, in which toxic cleaning materials are replaced with environmentally safe cleaning agents. She described the benefits of going green, and shared her experience with the greening the cleaning campaign at HUMC.

Following her presentation, Ms. Imus answered questions from the audience. Afterwards, Members and guests alike felt enlightened and motivated by the new interest in developing environmentally safe health care facilities, both for the benefit of the environment and for the safety of the people in the hospitals.

*Deirdre Imus meeting Commissioner Lacy and fellow representatives of the State Department of Health and Senior Services.*

*Deirdre Imus speaking to a room full of State healthcare policy personnel at an educational seminar hosted by the Authority.*

# Self-Insurance and Captive Regulation Program

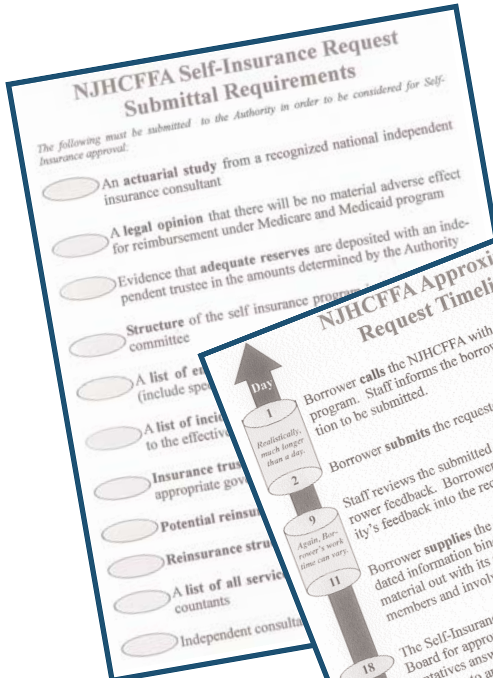
Over the past couple of years, the Authority had been approached by dozens of hospitals and health care organizations looking to avoid high insurance premiums by self-insuring. Since the bond documents generally require that borrowers get approval from the Authority before engaging in a self-insurance or captive program, staff and Members began to learn about the hows and whys of such a transition. The Authority learned that neither the State of New Jersey, nor the federal government, had any regulation over either self-insurance programs or captives.

The Authority recognized, though, that sky-rocketing medical malpractice premiums require alternatives. Therefore, in spite of the potential dangers of self-insurance and captives, the Authority agreed that it would support the use of this initiative if the circumstances suggest it would be advantageous to a borrower and the plan is well-developed with a strong understanding of the insurance business.

The Authority decided to lead the effort to monitor self-insurance and captive programs in order to protect its borrowers and bondholders. Staff underwent internal tutorials, working with the world's leading insurance rating agency A.M. Best Company, to better understand the concept of, and dangers of, a health care provider turning to self-insurance.

The result of the Authority-A.M. Best relationship is a well-crafted system for monitoring a health care organization's self-insurance program, even if the program is brand new. The Authority now has a procedure to follow for its borrowers who wish to request self-insurance or captive approval, and strict reporting guidelines once approval is granted, enabling staff to closely monitor the program's funding, business plan and ongoing success/failure.

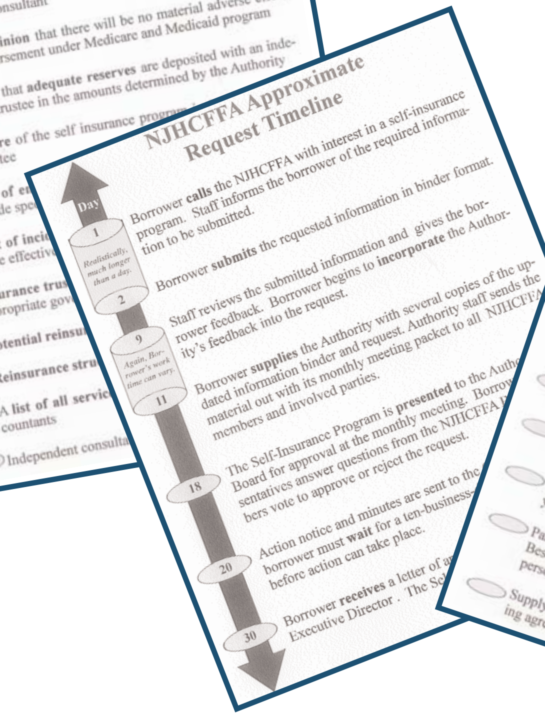
*Angela M. Quinn, Senior Financial Analyst at A.M. Best Company sharing with the Authority staff methods to evaluate an insurance company.*



NJHCFFA Self-Insurance Request
Submittal Requirements

The following must be submitted to the Authority in order to be considered for Self-Insurance approval:

- An **actuarial study** from a recognized national independent insurance consultant
- A **legal opinion** that there will be no material adverse effect for reimbursement under Medicare and Medicaid program
- Evidence that **adequate reserves** are deposited with an independent trustee in the amounts determined by the Authority
- **Structure** of the self insurance program ... committee
- A list of ... (include spe...
- A list of inci... to the effectiv...
- Insurance trus... appropriate gov...
- Potential reinsu...
- Reinsurance stru...
- A list of all servic... countants
- Independent consulta...



NJHCFFA Approximate
Request Timeline

Day

1 Borrower **calls** the NJHCFFA with interest in a self-insurance program. Staff informs the borrower of the required information to be submitted.

Realistically, much longer than a day.

2 Borrower **submits** the requested information in binder format.

Staff reviews the submitted information and gives the borrower feedback. Borrower begins to **incorporate** the Authority's feedback into the request.

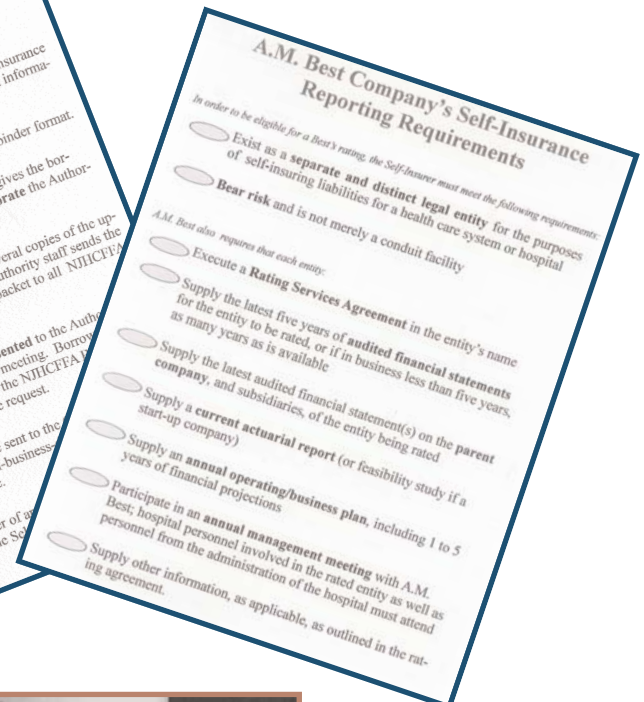
9 Again, Borrower's work time can vary.

11 Borrower **supplies** the Authority with several copies of the updated information binder and request. Authority staff sends the material out with its monthly meeting packet to all NJHCFFA members and involved parties.

18 The Self-Insurance Program is **presented** to the Auth... Board for approval at the monthly meeting. Borro... sentatives answer questions from the NJHCFFA... bers vote to approve or reject the request.

20 Action notice and minutes are sent to the ... borrower must **wait** for a ten-business... before action can take place.

30 Borrower **receives** a letter of ... Executive Director . The S...



A.M. Best Company's Self-Insurance
Reporting Requirements

In order to be eligible for a Best's rating, the Self-Insurer must meet the following requirements:

- Exist as a **separate and distinct legal entity** for the purposes of self-insuring liabilities for a health care system or hospital
- **Bear risk** and is not merely a conduit facility

A.M. Best also requires that each entity:

- Execute a **Rating Services Agreement** in the entity's name
- Supply the latest five years of **audited financial statements** for the entity to be rated, or if in business less than five years, as many years as is available
- Supply the latest audited financial statement(s) on the **parent company**, and subsidiaries, of the entity being rated
- Supply a **current actuarial report** (or feasibility study if a start-up company)
- Supply an **annual operating/business plan**, including 1 to 5 years of financial projections
- Participate in an **annual management meeting** with A.M. Best; hospital personnel involved in the rated entity as well as personnel from the administration of the hospital must attend
- Supply other information, as applicable, as outlined in the rating agreement.

*Ms. Quinn taking a question from designee John Kerr of the Department of Banking and Insurance.*

# 2003 New and Redesigned Products

In September of 2003, the Authority rolled out a brand new product (The Pooled Bonds program, or "PBP") and redesigned an under-utilized product (the Equipment Revenue Note program or "ERN"), both in response to recommendations made by the Authority's CFO Advisory Panel.

The **Pooled Bonds Program** is designed to give borrowers more flexibility for purchasing equipment during a capital budget cycle through a tax-exempt "line of credit" format. Under the program, a credit-enhancing bank reviews applications submitted by potential borrowers and establishes a credit line for each. Variable rate bonds issued by the Authority are then used to fund the pre-approved credit lines.

What can the **PBP** offer your organization?
-An approved line of credit to be drawn down over twelve to fifteen months
-Low cost variable interest rate debt
-Loan terms negotiated directly between the borrower and the credit enhancer
-Security provided through equipment liens and/or master indenture notes
-Standardized documents to cut drafting time
-Straightforward and uncomplicated prepayment terms
-Frequent opportunities to enter the program, since bonds will be issued annually

In order to be eligible for the Program, a borrower must be a 501(c)(3) organization, and must get pre-qualified by the Program's credit provider. Also, all proceeds must be used only for equipment or retrofitting for equipment.

The **Equipment Revenue Note**'s new design modified the program's procedure to offer both an easy and efficient method of financing and refinancing equipment. Under the new procedure, the Authority approves one request for Negotiated Sale for the year's Equipment Revenue Note issues, rather than requiring approval for each borrower as they come to the table. This modification alone can reduce the process time by as much as a month. Additionally, the borrower can bring a bond purchaser to the table if it so desires, eliminating the time necessary to obtain competitive bids by the Authority.

What can **ERN** offer your organization?
-Low cost fixed and/or variable interest rate debt
-A negotiated loan term that will likely parallel the life of equipment
-Security provided through equipment liens and/or master indenture notes
-A pre-approved negotiated private placement process that shortens the process by as much as a month's time
-Minimal financing costs
-Standardized documents to cut drafting time

In order to be eligible for the Program, the issue size must be $15 million or less, the proceeds must be used only for equipment acquisition costs, and the bonds must not be rated or enhanced.

# Stand Alone Bonds...

By even the most stringent of criteria, the New Jersey Health Care Facilities Financing Authority had an extraordinary year in 2003. In twelve months, the Authority issued over $684 million in bonds on behalf of nineteen different borrowers, in addition to a $16.3 million loan issued through the Capital Asset Loan Program.

Those numbers far exceed the financial accomplishments of 2002, in which the Authority issued approximately $520 million on behalf of eleven different borrowers.

**"S&P"** = Standard & Poor's Ratings Services
**"Fitch"** = Fitch Ratings
**"Moody's"**= Moody's Investors Service, Inc.
**"LOC"**= Letter of Credit

## BONDS ISSUED IN 2003

| | |
|---|---|
| Catholic Health East, Series 2003A | $47,200,000 |
| Meridian Health System | $100,000,000 |
| Pascack Valley Hospital | $51,205,000 |
| Somerset Medical Center | $81,390,000 |
| The Community Hospital Group, Inc. | $20,000,000 |
| The Matheny School and Hospital, Inc. | $3,500,000 |
| Robert Wood Johnson University Hospital | $25,000,000 |
| Saint Clare's Hospital, Inc. | $15,400,000 |
| St. Francis Medical Center | $3,100,000 |
| St. Joseph's Wayne Hospital | $6,500,000 |
| Virtua Health | $11,000,000 |
| Shore Memorial Hospital | $31,205,000 |
| Rahway Hospital | $11,000,000 |
| Atlantic Health System | $75,075,000 |
| Barnert Hospital | $5,500,000 |
| Capital Health System | $131,560,000 |
| NJ DHS (Greystone Project) | $19,125,000 |
| Jersey City Medical Center | $16,440,000 |
| Beth Israel Hospital Assoc. of Passaic | $30,600,000 |
| Total Bonds Issued in 2003: | $684,800,000 |

## Catholic Health East Issue, Series 2003

## $47,200,000

Catholic Health East is a Pennsylvania nonprofit corporation that controls various entities that own and operate health care facilities and provide health care or related services in eleven states. This issue provided funds for CHE's affiliate Our Lady of Lourdes Medical Center (pictured below) located in Camden.

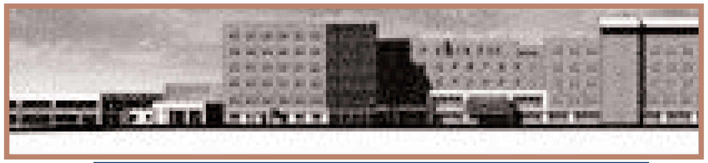
*Delivery Date:* Feb. 5, 2003
*Final Maturity:* Nov. 15, 2033
*Ratings:* "A2" by Moody's, "A" by S&P and "A+" by Fitch
*Enhancement:* None
*All-in True Interest Cost:* 5.44%

Proceeds provide for: (1) the demolition of a building and the construction of a 99,100 sq. ft. building for surgical support areas, ambulatory services, post-operative areas and patient rooms; and (2) the construction and renovation of existing buildings to connect them to the new building, and to provide a new cardiac catheterization lab and surgical support areas and two new operating rooms.

## Meridian Health System Obligated Group Issue, Series 2003A & 2003B

## $100,000,000

Meridian Health System, Inc. is a not-for-profit corporation and is the parent of the Meridian Hospitals Corporation, which provides health care services to the residents of Monmouth and Ocean counties through three licensed hospitals located in Neptune, Red Bank and Brick.



*Series 2003A ($60,000,000)*
*Delivery Date:* Feb. 20, 2003
*Final Maturity:* July 1, 2033
*Ratings:* "AA-/A-1+" by S&P, "Aa3/VMIG-1" by Moody's
*Enhancement:* JPMorgan Chase LOC
*Initial Interest Rate:* 1.1%, reset weekly

*Series 2003B ($40,000,000)*
*Delivery Date:* Feb. 20, 2003
*Final Maturity:* July 1, 2033
*Ratings:* "A+/A-1" by S&P "Aa3/VMIG-1" by Moody's
*Enhancement:* Fleet National Bank LOC
*Initial Interest Rate:* 1.1%, reset weekly

The proceeds provide: (1) equipment and renovations at the Jersey Shore Division, (2) equipment, renovations, and a parking garage at the Riverview Division (pictured above), and (3) the construction of a 4-story facility for patient services, a parking garage and the provision of equipment and renovations at the Medical Center of Ocean County Division.

# ...Issued in 2003

## Pascack Valley Hospital Issue, Series 2003

**$51,205,000**

Pascack Valley Hospital, the not-for-profit, 275-bed acute care hospital located in Westwood, serves residents in Bergen County, New Jersey and Rockland County, New York.

| | |
|---|---|
| *Delivery Date:* | *April 16, 2003* |
| *Final Maturity:* | *July 1, 2036* |
| *Ratings:* | *"BB+" by S&P* <br> *"BBB-" by Fitch* |
| *Enhancement:* | *None* |
| *True Interest Cost:* | *6.93%* |

The proceeds will be used to: (1) construct and equip an approximately 122,000 sq. ft. four-story tower on the Hospital's campus which has been designated to house an expanded maternal and prenatal unit, physical medicine and rehabilitation departments and cardiac rehabilitation department, general fitness and wellness programs, clinical programs and administrative offices; and, (2) renovate existing space for use by medical and surgical units, the emergency department and the radiation department.

## Somerset Medical Center Issue, Series 2003

**$81,390,000**

Somerset Medical Center is a 355-bed acute care hospital facility located in Somerville, serving the residents of Somerville and neighboring communities in Somerset, Middlesex and Hunterdon counties.

| | |
|---|---|
| *Delivery Date:* | *May 15, 2003* |
| *Final Maturity:* | *July 1, 2033* |
| *Ratings:* | *"Baa2"* <br> *by Moody's* |
| *Enhancement:* | *None* |
| *All-In Interest Cost:* | *5.88%* |

The proceeds will be used to: (1) finance the construction of a new parking garage, additions to the existing parking garage, a new emergency room, a new inpatient bed unit, ambulatory surgery and ambulatory care space, together with extensive renovations and modernization to the Medical Center's facility, (2) finance and reimburse the Medical Center for the costs of various construction and renovations and the acquisition of various capital equipment, and (3) provide for working capital.

## Shore Memorial Hospital Issue, Series 2003

**$31,205,000**

Shore Memorial Hospital is a 296-bed, not-for-profit acute care hospital located in Somers Point, with a primary service of Atlantic and Cape May counties. It provides inpatient services, and operates one of the largest regional chronic dialysis centers in New Jersey (both on campus and at a satellite facility).

| | |
|---|---|
| *Delivery Date:* | *July 15, 2003* |
| *Final Maturity :* | *July 1, 2023* |
| *Ratings:* | *"AA" by S&P* <br> *and Fitch* |
| *Enhancement:* | *Radian Insurance* |
| *All-In True Interest Cost:* | *5.05%* |

Proceeds will be used to: (1) construct and equip a new Cancer Care Center (pictured above) and Data Center; renovate facilities for the home health program, a new MRI unit, a special procedures room and a meditation room; (2) reimburse for previously acquired capital equipment; (3) acquire a new computer system and software; and, (4) fund the future capital budget items.

# More Stand Alone Bonds...

## Atlantic Health System Issue, Series 2003

## $75,075,000

Atlantic Health System, a not-for-profit New Jersey corporation, is the parent of AHS Hospital Corporation, which operates Morristown Memorial Hospital, Overlook Hospital and Mountainside Hospital. The Morristown, Overlook and Mountainside hospitals are all acute-care teaching facilities affiliated with the University of Medicine and Dentistry of New Jersey / NJ Medical School.

| | |
|---|---|
| *Delivery Date:* | *Nov. 20, 2003* |
| *Final Maturity:* | *July 1, 2025* |
| *Ratings:* | *"AAA" by S&P, "Aaa" by Moody's* |
| *Enhancement:* | *Ambac Assurance Corporation* |
| *Initial Interest Rate:* | *0.9%, reset weekly* |

The proceeds of the financing will be used to currently refund the Series 1993 bonds that had been issued on behalf of Mountainside Hospital and to pay for 2003 and 2004 capital budget items.

## Barnert Hospital Issue, Series 2003

## $5,500,000

Barnert Hospital is a 256-bed acute care facility located in Paterson that has served Bergen and Passaic counties since 1908. Barnert provides diversity through the more than 30 languages and dialects spoken at the hospital. Programs and services include: Barnert Occupational Health Center (BOHC), Center of Parent Education (COPE), imaging services, juvenile sexual behavior program, Louis and Edith Haselkorn Hand service, metabolic center, neuro sleep center, respiratory therapy/EKG-EEG services and The Breast Center.

| | |
|---|---|
| *Delivery Date:* | *Dec. 10, 2003* |
| *Final Maturity:* | *Jan. 1, 2009* |
| *Ratings:* | *None* |
| *Enhancement:* | *None* |
| *All-in Interest Cost:* | *5.45%* |

The financing was a private placement and the proceeds of the financing will be used to purchase various items of equipment ranging from a $450,000 nursing call system to a $750 wheelchair. Proceeds may also be used for various installation costs.

## Capital Health System Issue, Series 2003A/Series 2003B

## $131,560,000

Capital Health System, a nonprofit corporation, has two divisions (CHS at Fuld and CHS at Mercer) that operate separately licensed acute care teaching hospitals located in Trenton with 353 and 318 beds, respectively.


| | |
|---|---|
| **Series 2003A ($101,560,000)** | |
| *Delivery Date:* | *Dec. 11, 2003* |
| *Final Maturity:* | *July 1, 2033* |
| *Ratings:* | *"Baa1"by Moody's, "BBB" by S&P* |
| *Enhancement:* | *None* |
| **Series 2003B ($30,000,000)** | |
| *Delivery Date:* | *Dec. 11, 2003* |
| *Final Maturity:* | *July 1, 2033* |
| *Ratings:* | *"Aa2/VMIG-1" by Moody's* |
| *Enhancement:* | *Wachovia LOC* |

*The Combined All-In-True Interest Cost for Series 2003A and 2003B: 5.22%*

Proceeds of Series 2003A will be used to renovate the ICU/CCU at CHS at Fuld, renovate the ER at CHS at Mercer, acquire a linear accelerator and construct an Ambulatory Surgery Center (rendered above) in Hamilton Township. Proceeds of Series 2003B will finance various hospital projects and refund bonds issued under the Authority's Variable Rate Composite Program.

# ...Issued in 2003

## Jersey City Medical Center Issue, Series 2003
### $16,440,000

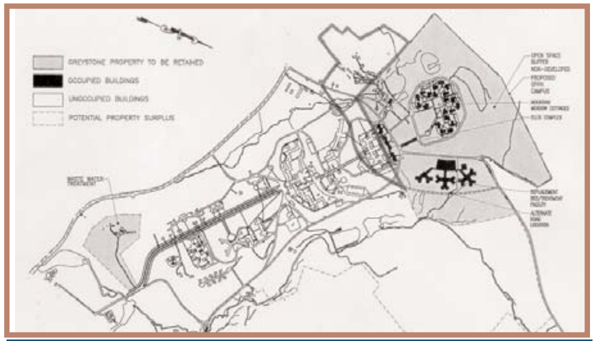
Jersey City Medical Center is a non-profit, nonsectarian, acute care major teaching hospital in Jersey City. It offers inpatient and outpatient services. It is also the sole provider in Hudson County that offers: a state-designated trauma center, an approved open heart surgery program, a regional perinatalogy center, tertiary neurosurgery, a state-certified level three nursery, a mental health unit for involuntary admissions, and detoxification programs.


| | |
|---|---|
| *Delivery Date:* | *Dec. 17, 2003* |
| *Final Maturity Date:* | *Aug. 1, 2030* |
| *Ratings:* | *"AAA" by S&P,*<br>*"Aaa" by Moody's* |
| *Enhancement:* | *FHA Mortgage Insurance, wrapped by Ambac Assurance Corp.* |
| *Net Interest Cost:* | *4.62%* |

Proceeds will be used to complete the construction and the equipping of the new Medical Center for an early 2004 opening.

## NJ DHS (Greystone Project) Issue, Series 2003
### $19,125,000

The New Jersey Department of Human Services (DHS) is the social services agency, serving more than one million of New Jersey's most vulnerable citizens, and comprising about a quarter of the State's workforce and budget. Within the DHS, the Division of Mental Health Services sets mental health policy and operates six psychiatric hospitals, including the Greystone Park Psychiatric Hospital.



| | |
|---|---|
| *Delivery Date:* | *Dec. 18, 2003* |
| *Final Maturity:* | *Sept. 15, 2025* |
| *Ratings:* | *"AA-" by Fitch*<br>*"AA-" by S&P*<br>*"Aa3" by Moody's* |
| *Enhancement:* | *None* |
| *All-In Interest Cost:* | *4.58%* |

Proceeds will be used to complete the final design of the new Greystone Park Psychiatric Hospital in Morris County, and will fund the demolition of a former dormitory building and the realignment of roadways around the site. The new hospital will only encompass the shaded gray portions above; 300 acres of the hospital grounds were sold to Morris County.

## Beth Israel Hospital Association of Passaic, Series 2003
### $30,600,000

Beth Israel Hospital Association is a 210-bed not-for-profit acute care hospital located in Passaic.

*Former PBI location (above) before it purchased and relocated to The General Hospital Center at Passaic (below)*

| | |
|---|---|
| *Delivery Date:* | *Dec. 30, 2003* |
| *Final Maturity:* | *Jan. 1, 2010* |
| *Ratings:* | *None* |
| *Enhancement:* | *None* |
| *Initial Interest Rate:* | *5% with a reset after 3 years* |

The financing was a private placement and the proceeds were used to finance the acquisition of The General Hospital Center at Passaic, into which Passaic Beth Israel then relocated.

# Variable Rate Composite Program

## COMP IV Program, Series 2003 — Total: $84,500,000

The Variable Rate Composite Program or "COMP" enables qualified health care borrowers to access the tax-exempt and/or taxable capital markets at weekly variable interest rates with shared issuance costs. Documents are standardized and bonds can be marketed for more than one borrower at a time, reducing the costs of issuance. The delivery date for the COMP IV transaction was June 20, 2003, though Rahway Hospital was delayed and delivered on August 28, 2003.

**The Matheny School and Hospital, Inc.,** ($3,500,000) in Peapack is a not-for-profit special hospital, private school and intermediary care facility for people with severe developmental disabilities.

| | |
|---|---|
| *Final Maturity:* | *July 1, 2023* |
| *Ratings:* | *Aa3/VMIG1* |
| *LOC:* | *Fleet Nat'l Bank* |
| *Initial Int.Rate:* | *0.97%* |

Project includes the construction and equipping of clinical evaluation rooms, dental exam and treatment rooms, sterilization room, on-call and conference facilities, waiting rooms, and added nursing stations and classrooms.

**Rahway Hospital** ($11,000,000) is a nonprofit hospital licensed to operate 267 beds in Rahway.

| | |
|---|---|
| *Final Maturity:* | *July 1, 2023* |
| *Ratings:* | *Aa2/VMIG1* |
| *LOC:* | *Wachovia Bank, N.A.* |
| *Initial Int.Rate:* | *0.80%* |

Proceeds will be used to finance and reimburse the construction of a new emergency room and acquisition of radiology equipment.

**St. Francis Medical Center** ($3,100,000), of Catholic Health East, owns and operates a 240-licensed bed acute care hospital in Trenton.

| | |
|---|---|
| *Final Maturity:* | *July 1, 2018* |
| *Ratings:* | *Aa2/VMIG1* |
| *LOC:* | *Wachovia Bank, N.A.* |
| *Initial Int.Rate:* | *0.97%* |

Project includes updating the information technology, centralized registration, clinic and parking areas, as well as planning a cardiac care unit and building an occupational medicine unit.

**Virtua Health, Inc.** ($11,000,000) is the parent company of Virtua-West Jersey Health System, Inc. (with hospitals in Berlin, Marlton, and Voorhees), and Virtua-Memorial Hospital Burlington County in Mt. Holly.

| | |
|---|---|
| *Final Maturity:* | *July 1, 2018* |
| *Ratings:* | *Aa2/VMIG1* |
| *LOC:* | *Wachovia Bank,N.A.* |
| *Initial Int.Rate:* | *0.97%* |

Project includes construction and equipping for additions/upgrades in the Mt. Holly Emergency Department, as well as new operating rooms and an expanded nuclear medicine holding area and CT facilities in Voorhees.

**St. Joseph's Wayne Hospital, Inc.** ($6,500,000) is a 229-licensed-bed acute care facility in Passaic County.

| | |
|---|---|
| *Final Maturity:* | *July 1, 2018* |
| *Ratings:* | *A2/VMIG1* |
| *LOC:* | *Valley Nat'l Bank* |
| *Initial Int.Rate:* | *1.02%* |

Project includes the construction and equipping of an acute rehabilitation inpatient unit, cardiac catheterization laboratory, wound care center, information technology, computer system, telecommunications equipment, finance department renovations, CAT scanner, and the sleep center expansion.

**The Community Hospital Group, Inc.-JFK Medical Center** ($20,000,000), operates the Anthony M. Yelencsics Community Hospital and the Robert Wood Johnson Jr. Rehabilitation Institute, both in Edison.

| | |
|---|---|
| *Final Maturity:* | *July 1, 2020* |
| *Ratings:* | *Aa2/VMIG1* |
| *LOC:* | *Wachovia Bank, N.A.* |
| *Initial Int.Rate:* | *0.97%* |

Project includes land and building improvements and miscellaneous equipment for hospital use.

**St. Clare's Hospital** ($15,400,000) sponsored by the Sisters of the Sorrowful Mother, has facilities in Denville, Dover, Sussex, and Boonton Township.

| | |
|---|---|
| *Final Maturity:* | *July 1, 2018* |
| *Ratings:* | *Aa2/VMIG1* |
| *LOC:* | *Wachovia Bank, N.A.* |
| *Initial Int.Rate:* | *0.97%* |

Project includes financing and reimbursing for the construction of a Women's Health Center, renovations to the Dover lobby, equipment and furniture, roof replacements, and parking upgrades.

**Robert Wood Johnson University Hospital** ($25,000,000) in New Brunswick is the core teaching hospital for the University of Medicine and Dentistry - Robert Wood Johnson Medical School.

| | |
|---|---|
| *Final Maturity:* | *July 1, 2023* |
| *Ratings:* | *Aa2/VMIG1* |
| *LOC:* | *Wachovia Bank,N.A.* |
| *Initial Int.Rate:* | *0.97%* |

Project includes building and equipping the 6th floor of the Cancer Hospital of New Jersey, upgrading elevators, and a phased replacement of in-patient ventilators.

# Authority Staff

**Office of the Executive Director**

Mark E. Hopkins - *Executive Director*
Carole A. Conover - *Executive Assistant Office Manager*
Robin Piotrowski - *Human Resources Manager*
Stephanie Zschunke - *Communications Specialist*
Evelynne A. Burroughs - *Office Management Assistant*
Lorraine Donahue - *Office Management Assistant*

**Division of Project Management**

Dennis P. Hancock - *Deputy Executive Director and Director of Project Management*
Louis R. George - *Project Manager*
William McLaughlin - *Project Manager*
Suzanne K. Walton - *Project Manager*
Mae C. Jeffries-Grant - *Administrative Assistant*

**Division of Operations**

James L. Van Wart - *Director of Operations*
Susan M. Tonry, CPA - *Assistant Director of Operations and Compliance Manager*
Michael B. Ittleson - *Controller*
Wanda L. Lewis - *Senior Account Administrator*
Robert A. Day - *Account Administrator*
Ronald S. Marmelstein - *Account Administrator*
Marjorie P. McAvoy - *Accountant*
Diane Johnson - *Assistant Account Administrator*
Anthony M. Gennari - *Assistant Account Administrator*
William Lohman - *Construction Manager*
Barbara Koozin - *Administrative Assistant*

**Division of Research and Investor Relations**

Stephen M. Fillebrown - *Director*
Emerson E. Sullens - *IT Specialist*
Priscilla I. Copper - *Database Administrator and Administrative Assistant*

***The New Jersey Health Care Facilities Financing Authority***

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