

NJHCFFA 2004 Bond Issues

Health Care Organization	Issue Structure	Total Issued
Underwood-Memorial Hospital	Two tranches: Both 7-day auction rates	\$65,300,000
Hackensack University Medical Center	Two tranches: 7-day and 35-day auction rates	\$150,000,000
Bayshore Community Hospital	COMP V Program: weekly variable rate	\$8,000,000
Beth Israel Hospital Assoc. of Passaic	COMP V Program: weekly variable rate	\$13,300,000
Meridian Nursing & Rehab. at Red Bank	COMP V Program: weekly variable rate	\$14,725,000
South Jersey Hospital, Inc.	COMP V Program: weekly variable rate	\$15,075,000
Atlantic Health System	Taxable bonds, 7-day PARS auction rate mode	\$26,300,000
Robert Wood Johnson Univ. Hospital	Weekly variable rate	\$50,000,000
Virtua Health, Inc.	Weekly variable rate	\$60,000,000
St. Clare's Hospital	Two tranches: Both fixed rates	\$104,000,000
	Total 2004 Debt Issued:	\$506,700,000

Salute from the Acting Governor

Richard J. Codey

The New Jersey Health Care Facilities Financing Authority has proven time and time again to be one of New Jersey's shining stars, and last year was no different. In 2004, the Authority provided over half a billion dollars in financing to improve New Jersey's health care network.



Thanks to the Authority's 2004 activity, residents of Gloucester County have an enhanced ambulatory unit and a renovated patient care unit. Families in Hackensack have spacious private rooms where mothers can enjoy extra time with their high-risk infants in a new neonatal intensive care unit. We opened a new regional medical center in Vineland and expanded the pediatric intensive care and Level I trauma unit in New Brunswick. Also, New Jersey's seniors can make new friends and enjoy recreation in a beautiful new facility in Red Bank.

These are just a few of the 2004 improvements made possible by the New Jersey Health Care Facilities Financing Authority. For more than three decades, the Authority has helped health care organizations to make vast improvements for our friends and families.

In addition, the staff and Members of the Authority have joined my Administration's efforts to improve treatments for New Jersey's mentally ill. Working with the Department of Human Services, the Treasury, and the Economic Development Authority, we are helping to provide financing to rebuild Greystone Park Psychiatric Hospital. When finished, Greystone will provide a caring home for over 500 of New Jersey's mentally ill patients.

I am proud of the work and mission of the New Jersey Health Care Facilities Financing Authority, and I look forward to continuing our efforts together to make New Jersey one of the nation's top health care providers and an overall better place to live for our friends and families.

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2004 in Review: Reaching Out and Peering In

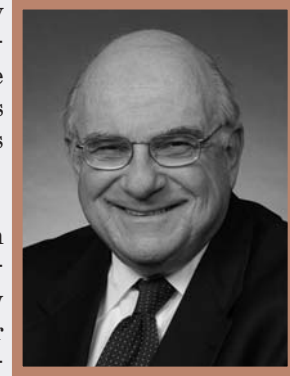
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Message from the Chairman Commissioner Fred M. Jacobs, M.D., J.D.

The New Jersey Health Care Facilities Financing Authority (NJHCFFA) was founded in 1972 to provide health care organizations with low-interest loans for facility and infrastructure improvements. The goal was to ensure that New Jersey's residents would not be denied proper medical care in high-quality, modern facilities because of poor access to capital financing.



Since 1972, the Authority has met that goal by issuing over \$11 billion in low-interest bonds for more than 140 health care organizations in all corners of the state. In 2004, the Authority approved \$560,700,000 in new loans for ten borrowers. This will, once again, help hospitals and other health organizations make needed improvements to facilities during difficult fiscal times.

But the NJHCFFA doesn't see its mission solely as financial. We work hard to complement our lending with events, seminars and charitable contributions that not only support the infrastructure but also the people and programs of New Jersey's health care community.

In 2004, NJHCFFA coordinated the Financing Authority Summit: Partnering New Jersey's Healthcare Leaders, a full day seminar with more than 150 health care providers, finance representatives and government leaders. The Summit focused on the state of health care in New Jersey, including the nursing shortage, governing and compliance issues impacting bond and insurance agencies, and other pressing issues. In addition to covering these important topics, the Summit raised more than \$40,000 in charitable donations for the New Jersey Stem Cell Research Institute.

NJHCFFA can also be proud of its participation in the development of DisclosureUSA, a cooperative program between bond issuers and government to reduce the red tape encountered by investors when seeking information about borrowers. The "central post office" lets hospitals file the appropriate state and federal reports online at one location, greatly simplifying and speeding the disclosure process. We see our role not only as a provider of low cost loans, but also as a facilitator between the investors and New Jersey's health care community.

Through its bonding authority and creative programs to support the health care and bonding communities, NJHCFFA helped to make New Jersey a stronger, safer and healthier state in 2004. I am honored to serve as chairman of the Authority, and look forward to supporting its continued mission in 2005.

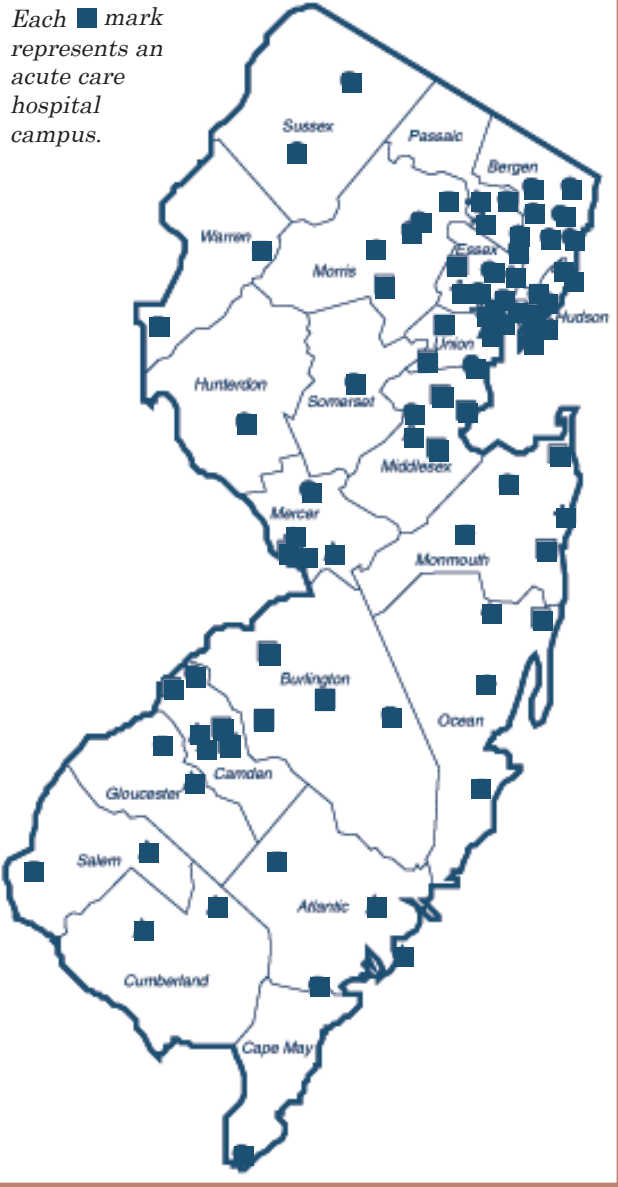
About the Authority

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 New Jersey 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.

As a result, 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 the expanded legislation, the Authority can also finance other types of health care organizations regardless of their tax status such as continuing care retirement communities, management service organizations, blood banks, hospices, day care facilities and any organizations related thereto.

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.



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."

NJHCFFA Membership

The Three Ex-Officio Members

The Authority consists of seven members who meet regularly on a monthly basis and may hold special meetings when necessary. Three of the Authority members are Ex-Officio Members: 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 Chairman. All of the above noted commissioners serve as Authority Members throughout their tenure.

The remaining four, called Public Members, are appointed by the Governor with the consent of the State Senate and serve staggered four-year terms. Authority roles such as Vice Chair, Secretary, Treasurer and committee membership, are all nominated for and voted on by the Authority Members.

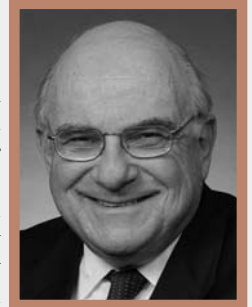
DONALD BRYAN, J.D., Member

Donald Bryan, J.D. was appointed Acting Commissioner of the Department of Banking and Insurance by Acting Governor Richard Codey, effective March 1, 2005. In November 1999, Mr. Bryan received Gubernatorial appointment as Director of the Division of Insurance. He was confirmed with the advice and consent of the Senate, and has since held that position. Employed by the Department of Banking and Insurance since 1982, Mr. Bryan has served in the capacities of Assistant Commissioner, Legislative and Regulatory Affairs; Director of Regulatory Affairs; Regulatory Officer; Director of Insurance Licensing and Education; Executive Assistant in the Office of the Deputy Commissioner; and Assistant to the Director of the New Jersey Real Estate Commission.



Mr. Bryan received a Bachelor's degree from the University of Virginia, and a Juris Doctor degree from Rutgers University Law School. He engaged in private practice in the Burlington/Camden County area from 1971 to 1982.

FRED M. JACOBS, M.D., J.D., Chairman



Fred M. Jacobs, M.D., J.D., appointed Commissioner of the Department of Health and Senior Services by Acting Governor Richard J. Codey in December 2004, was confirmed in February 2005. With a Bachelor's degree from Colgate University and a Medical degree from the University of Miami School of Medicine (Alpha Omega Alpha Honor Society), Dr. Jacobs is a Fellow of the American College of Physicians, the American College of Chest Physicians and the American College of Legal Medicine. He is Board Certified in Internal Medicine and Pulmonary Disease.

During his time at New Jersey's Saint Barnabas Health Care System, Dr. Jacobs served as Chief of Pulmonary Disease, Medical Director of the Intensive Care Unit, President of the Medical Staff, Senior Vice President for Medical Affairs, and Executive Vice President for Medical Affairs. He also served as Clinical Associate Professor of Medicine at UMDNJ. Dr. Jacobs graduated from Rutgers University School of Law and is admitted to the Bar of the States of New Jersey and Florida.

Appointed to the New Jersey State Board of Medical Examiners by then Governor Thomas Kean in 1989, and reappointed by Governor James Florio in 1993, Dr. Jacobs served as President of the Board from 1993 to 1995.

JAMES M. DAVY, Member

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

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

Mr. Davy earned his Master's degree in Public Administration from the Maxwell School of Citizenship and Public Affairs at Syracuse University and his Bachelor's degree from Thiel College in Pennsylvania.



NJHCFFA Membership

The Four Public Members

Ex-Officio Members may designate long-term representatives to attend meetings and vote on their behalf. Pictured in this box are the representatives named by the Ex-Officio Members.

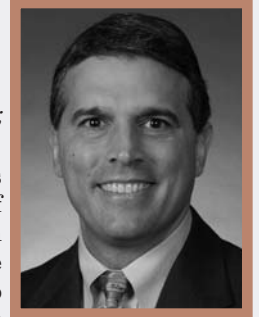


Left to right:
Freida Phillips
(Human Services)
Ed Tetelman (Health
& Senior Services)
Maryann Kralik,
(Banking &
Insurance)

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

Term of office expired April 30, 2003;
serves until a successor is confirmed

Carmen Saginario, Jr., J.D. is a shareholder with the law firm of Capehart & Scatchard, P.A. (Trenton and Mt. Laurel), and serves on the firm's executive committee. Prior to Capehart & Scatchard, he was a senior associate with Mudge, Rose, Guthrie, Alexander & Ferdon. He also served as Deputy Attorney General/Special Assistant to the Attorney General and as Assistant Counsel to Governor Thomas H. Kean.

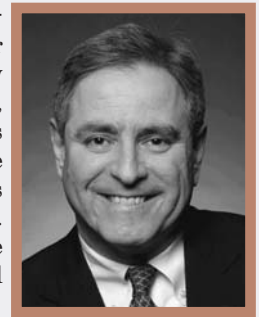


Mr. Saginario received his Juris Doctor degree with honors from Seton Hall University School of Law and a Bachelor of Arts degree with honors from Union College in New York. A member of the American Bar Association, the New Jersey Bar Association, and the Burlington County Bar Association, he resides in Cinnaminson, New Jersey.

THOMAS A. ZELANTE, J.D.
Member

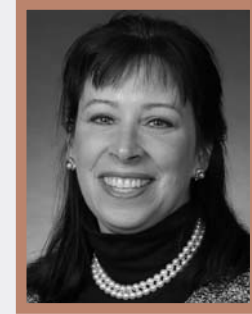
Resigned; inactive but listed until a successor is confirmed

Thomas A. Zelante, J.D., a partner in the firm of Seeber, Bowkley & Zelante, P.C, served as Law Secretary to the Honorable F. Michael Caruso, Superior Court of New Jersey. He received a Juris Doctor degree from Seton Hall University School of Law and a Bachelor of Arts degree from LaSalle University. He served as Trustee of the Morris County Bar Association and Trustee for the Morris County Legal Aid Society. He's held membership on the New Jersey State Bar Association, the Supreme Court of New Jersey District X Ethics Committee, and the Board of Adjustment of Morris Township. He also served as Vice President of Head Start of Morris County, and was admitted to the U.S. District Court of New Jersey and the U.S. Court of Appeals for the 3rd Circuit.



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

Term of office expired April 30,
2001; serves until a successor is con-
firmed



Noreen P. White is President of the financial advisory firm, Municipal Advisory Partners, Inc., headquartered in Montclair, New Jersey. She received a Master's degree in Business Administration from New York University and a Bachelor of Arts degree from Smith College. She resides in Glen Ridge, New Jersey.

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

Term of office expires on April 30, 2006

Gustav E. Escher III is the Vice President of New Jersey Public Finance at PNC Bank, located in East Brunswick, New Jersey. Prior to joining PNC Bank, he was affiliated with several leading investment banks and commercial banks and provided financial advisory services in both the housing and governmental sectors. Mr. Escher 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, New Jersey.

Statement from the Executive Director

Mark E. Hopkins



When I joined the New Jersey Health Care Facilities Financing Authority in August of 2004, I was excited to work with an organization that had such an impressive reputation throughout the State and in the health care industry in general. I have since learned that the reputation is hard earned, due to the dedication and diligence of the Authority staff and the supportive direction and commitment of the Authority Members.

Together, we have helped to upgrade the healthcare delivery systems of numerous New Jersey markets, created a monitoring program to confirm that our borrowers' self-insurance programs and captive insurance companies are strong and stable, aided in the improvement of secondary market disclosure, coordinated an event to bring the borrowing and lending communities closer together, began development of a new financing product, and fine-tuned internal policies and programs, all during 2004. At the same time, the Authority continued follow-up visits with its previously financed projects to ensure that all of the projects were being carried out as designed.

The Authority continues to accomplish its mission to provide New Jersey's health care organizations with access to low-cost capital. I am honored to be a part of that mission, and to be working with such talented and knowledgeable individuals on the staff, in the Membership and at the Department of Health and Senior Services.

I invite you to read on and learn the ways in which we used our resources to make New Jersey's health care community stronger in 2004, and I encourage you to join us in those efforts in 2005 and beyond.

MARK E. HOPKINS was appointed *Executive Director* of the Authority effective August 2, 2004. Prior to joining the Authority, Mr. Hopkins served as a Deputy Attorney General where he represented the New Jersey Educational Facilities Authority and the New Jersey Housing and Mortgage Finance Agency as issuer counsel. Before joining the Attorney General's office, Mr. Hopkins was an associate at the law firm of McCarter & English in the Public Finance Practice Group where he represented the State, counties, municipalities, State and county authorities, investment banking firms and borrowers in project financings for governmental entities, non-profit organizations, acute and sub-acute healthcare providers, housing operators, public and private academic entities, cultural organizations, port operators, water facility operators and small manufacturers. Immediately following law school, Mr. Hopkins clerked for the Honorable Eduardo C. Robreno in the United States District Court for the Eastern District of Pennsylvania. Mr. Hopkins earned a Bachelor of Arts degree from Rutgers College in New Brunswick. He earned his Juris Doctor degree with high honors from Rutgers University Law School at Camden.



DENNIS P. HANCOCK
Deputy Executive Director and
Director of Project
Management

Dennis P. Hancock has over 17 years of experience at the Authority. However, during the period from 1983 to 1992, Mr. Hancock 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 the public accounting firm Ernst & Whinney (later 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 and Finance

James L. Van Wart has more than 13 years of experience with the Authority. Prior to joining the Authority, he worked extensively in various financial management positions with State government, private industry and public accounting. His positions included Controller of Leisure Technology Corp. and CFO of Building and Land Technology Corp. (both publicly traded companies), as well as Senior Accountant at Arthur Andersen and Co.



Mr. Van Wart was also a Senior Investigator in the Attorney General's office, where he led the investigations of several companies seeking to obtain casino licenses including Golden Nugget, Showboat and the Sands. Mr. Van Wart received a Bachelor of Science degree in Accounting from St. Peter's College in Jersey City.

The Authority staff is organized under the four division heads, collectively called Senior Staff. The four divisions are:

- Office of the Executive Director: actively pursues and promotes Authority business in the industry as well as directs Senior Staff
- Project Management: works with the borrower to find the most appropriate financing vehicle and coordinates the transaction to closing
- Operations and Finance: invests bond proceeds and handles modifications to documents throughout the term of the bonds
- Research, Investor Relations, and Compliance: evaluates the impact of federal and state policy initiatives; monitors the financial and operational performance of borrowers; facilitates the flow of information among borrowers, investors, rating agencies, insurers, and other professional firms; and monitors compliance with bond covenants

STEPHEN M. FILLEBROWN

Director of Research, Investor Relations, and Compliance

Stephen M. Fillebrown is responsible for the research and analysis of policy issues affecting health care financing, operation of the agency's monitoring databases, coordinating the agency's investor relations activities, and reviewing borrower compliance. He currently serves on the Board of the National Council of Health Facilities Financing Authorities, and previously served on that council's Disclosure and Ratings & Credit Enhancement Committees.

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.



The NJHCFFA Staff

Office of the Executive
Director



Mark E. Hopkins
Executive Director



Carole A. Conover
Office Manager
and Executive
Assistant



Evelyn A. Burroughs
Office Management
Assistant



Robin Piotrowski, PHR
Human Resources
Manager



Lorraine M. Donohue
Office Management
Assistant



Stephanie Zschurke
Communications
Specialist

Please note, the chart is arranged according to readability within the constraints of the pages. The height placement of a staff member does not necessarily reflect professional hierarchy.

Division of Project
Management



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

Project Managers



Louis R. George



Suzanne K. Walton



William McLaughlin



Mae Jeffries-Grant
Administrative
Assistant

Division of Research, Investor Relations, and Compliance

Division of Operations and Finance



Stephen M. Fillebrown
 Director of Research,
 Investor Relations,
 and Compliance



James L. Van Wert
 Director of Operations
 and Finance,
 Custodian of the Record



Susan Torrey, CEA
 Assistant Director of
 Research, Investor
 Relations, and
 Compliance



Emerson E. Sillers
 Information
 Technology Specialist



Briscilla I. Cypser
 Database Administrator &
 Administrative Assistant



Wanda L. Lewis
 Senior



Ronald S. Marmelstein
 Senior



Robert A. Day



Diane Johnson
 Assistant Account
 Administrator



Anthony M. Gennari
 Assistant Account
 Administrator



Andreea Milosovici
 Assistant Account
 Administrator

Account Administrators



Bernard J. Miller, Jr.
 Construction
 Manager



**Michael
 B. Littleton**
 Controller



Marjorie P. McVoy
 Accountant



Barbara Kozzin
 Administrative
 Assistant

2004 in Review

Outer rim photos: (upper left corner going clockwise) Suzanne Walton and Mae Jeffries-Grant review documents; IT Specialist Gene Sullens; Diane Johnson on the telephone; Summit guest speakers James Carville, Richard Kusserow, Linda Stierle, and Bob Novak; Bob Day on the computer; Evie Burroughs greeting bond counsel Gary Walsh; Michael Ittleleson drafting a budget.



Center two photos: (top) CFO Panel roundtable discussion; (bottom) February '04 Authority Meeting.



In 2003, the Authority launched an aggressive outreach program to identify itself as a valuable resource of healthcare financial data for providers, investors and State policymakers. The success of these external communications helped confirm the Authority's reputation as an active participant in healthcare financing activities and, in general, a facilitator of health care products.

Though the Authority's outreach has continued, in 2004, staff took some time for internal reflection as well. While maintaining itself as a resource for inquiring agencies and individuals, the Authority reviewed and evaluated a number of its policies and programs to ensure that they were functioning as effectively and efficiently as planned.

The following pages describe four outward and two inward focal points for the Authority in 2004.

The Authority-coordinated *Financing Authority Summit: Partnering New Jersey's Healthcare Leaders* was held at Trenton's historic War Memorial on April 28, 2004. The Summit provided a full-day educational seminar for over 150 attendees representing New Jersey's health care providers, bond counsel, and financing firms.

The Summit's guest speakers included:

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



*Linda Stierle
presenting
at the Summit*

Since one of the Summit's primary goals was to bridge the borrowing and lending communities, a reception at Drumthwacket, the Governor's residence in Princeton, provided banking and bond counsel firms interest-

The Authority would like to thank the sponsors, without whom the event and the donation would not have been possible:

Bank of America
Cambio Health Solutions
Commerce Capital Markets, Inc.
Goldman Sachs & Co.
J.B. Hanauer & Co.
JPMorgan Chase
McCarter & English, LLP
Merrill Lynch & Co.
NW Financial Group, LLC
UBS Financial Services, Inc.
Wachovia Bank
Ziegler Capital Markets Group

ed in health care finance with an opportunity to introduce themselves and build relationships with financial executives from New Jersey hospitals. As said by former Commissioner Lacy, "the Authority exists to help health care organizations gain access to financial resources to be used to improve the health of the residents of New Jersey. By fostering relationships between hospitals and firms involved in health care finance, the Summit has been very successful in advancing that mission."

Because twelve outside sponsors funded the event, the Authority, the sponsors, and the Executive Commission on Ethical Standards agreed that all proceeds beyond the cost of the Summit would be allocated to a charity selected by Commissioner Lacy as Chairman of the Authority. He selected the Stem Cell Research Institute, which received more than \$40,000 from proceeds collected for the Summit.

In January 2004, the Muni Council, a group of 19 municipal market participants working to improve [Secondary Market Disclosure](#), announced plans to open a central post office ("CPO") that would advance the indexing of documents at nationally recognized municipal securities information repositories (NRMSIRs) and state information depositories (SIDs). Steve Fillebrown, the Authority's Director of Research, Investor Relations and Compliance, served on the council and was an active participant in the CPO's creation.

The purpose of the CPO was to:

- Allow issuers to file in one place and still meet all the regulatory requirements;
- Establish a voluntary "tickler" to notify issuers of their filing requirements;
- Provide a guaranteed delivery mechanism to forward document submissions to NRMSIRs, with a return receipt sent to the issuer;
- Keep a searchable index of document submissions; and
- Provide an all-electronic, virtually no-cost system.

In June, the Authority reached out to help its borrowers prepare for the new system. Staff issued a survey that assessed the percentage of borrowers who already filed electronically. Those that did not yet e-file were asked if they maintain documents in electronic format and, if not, would it be difficult to convert them. The response to the survey and concept was positive.

Titled [DisclosureUSA](#), the CPO opened for business in the summer of 2004. On September 7th, the SEC's Division of Market Regulation issued an Interpretative Letter authorizing the use of [DisclosureUSA](#) by issuers of municipal securities, trustees, dissemination agents and others who make continuing disclosure filings.

The following groups are members of the Muni Council:

[American Bankers Association](#)
[American Bar Association - Section of State and Local Government Law](#)
[American Institute for Certified Public Accountants](#)
[CFA Institute](#)
[Council of Infrastructure Financing Authorities](#)
[Government Finance Officers Association](#)
[Healthcare Financial Management Association](#)
[Investment Counsel Association of America](#)
[Investment Company Institute](#)
[National Association of Bond Lawyers](#)
[National Association of Independent Public Finance Advisors](#)
[National Association of State Auditors, Comptrollers and Treasurers](#)
[National Association of State Treasurers](#)
[National Council of Health Facilities Finance Authorities](#)
[National Council of State Housing Agencies](#)
[National Federation of Municipal Analysts](#)
[Regional Municipal Operations Association](#)
[The Bond Market Association](#)
 The SEC's Office of Municipal Securities also participated in Muni Council meetings

More Reaching Out...

In order to best address the needs of the healthcare finance community, staff wanted to hear feedback from the hospitals' financial chiefs directly. Therefore, in early 2003, the Authority created the **CFO Advisory Panel**, selecting seven top financial personnel who represent various regions and hospital demographics.

In Authority-hosted roundtables, the Panel provided feedback on Authority products, unanswered financing needs, and general fiscal concerns in the healthcare community. Aided by the input, the Authority decided to revisit the Panel in 2004.

The Panel met on November 22nd to discuss techniques for prevention of terrorist attacks on healthcare facilities. Special guests James Blumenstock (Deputy Commissioner, Public Health Protection and Emergency Preparedness) and David Gruber (Assistant Commissioner, Health Emergency Preparedness and Response Program) from the Department of Health & Senior Services were invited to present to the Panel. The presentations provided information on: the various State committees organized to assess infrastructure risks such as healthcare facilities; possible State requirements for target-hardening techniques to secure facilities against terrorism; and, the capital required to install such provisions.

The Panel and staff discussed the possibility of an Authority product that provides low cost tax-exempt financing for target-hardening upgrades. The Panel recommended several issues to consider when developing such a product, including:

- State certification that the expenditure is mandated by the Emergency Preparedness Plan;
- approval of applicants based on the projects proposed rather than measured threat;
- significance of staffing costs for mass emergencies; and,
- informing contractors of the State's requirements so that the proper upgrades can be designed.

The Authority staff was motivated by the Panel's interest in a low cost terrorism-preparedness financing vehicle, which is still in a developmental phase.

The CFO Advisory Panel is comprised of seven hospital financial executives:



Gregory M. Adams
Holy Name Hospital



Ronald J. Guy
Capital Health System



Richard D. Keenan
The Society of the Valley Hospital



James P. Nolan, Jr.
Atlantic City Medical Center



William N. Phillips
Meridian Health System



Robert M. Segin
Virtua Health, Inc.



Stella Visaggio
Hackettstown Community Hospital

Authority staff members were asked to share their insight through *Guest Speaking Engagements* at various conferences and seminars in 2004. On June 8th, the Authority's Deputy Executive Director Dennis Hancock spoke about the assortment of Authority financing options at the Healthcare Financial Management Association's conference titled Risk Issues in the Healthcare Market, held at the Woodbridge Hilton.

On September 29th, Steve Fillebrown, Director of Research, Investor Relations and Compliance for the Authority (as well as Muni Council participant), spoke about the new electronic filing system at the 2004 Joint Fall Conference of the National Association of Higher Educational Facilities Authorities and the National Council of Health Facilities Finance Authorities held in Indianapolis, Indiana. On October 28th, Mr. Fillebrown spoke on the current and future state of New Jersey's healthcare financing at the New Jersey 2004 Institutional Investors' Conference held at the Performing Arts Center in Newark.

Finally, in November, Mr. Fillebrown spoke at Smith's Research and Ratings 2004 Healthcare Finance Conference in Boston about current challenges and opportunities facing hospitals and secondary market disclosure.



Steve Fillebrown speaking at the Joint Fall Conference of NAHEFA and NCHFFA in September 2004



The Authority has summed up its Self-Insurance and Captive Regulatory Program on three documents.

After an internal review of its new Self-Insurance and Captive Regulatory Program, the Authority re-examined the program's procedures to ensure that it functions most effectively and efficiently.

In 2003, the Authority began the new monitoring policy to ensure the security of its borrowers' self-insurance programs, including captive insurance companies and trusts. As part of the policy, the Authority required that all borrowers initially fund their self-insurance plans at more than double the industry standard until such time as an A.M. Best rating is secured.

In 2004, the Authority reviewed the effectiveness of its self-insurance and captive regulations. Taking into consideration feedback received from the hospitals and their insurance consultants, the Authority reduced its initial funding requirement, though it still remains slightly above industry standards for the initial funding period. The Authority continues to rely upon the experts in the insurance rating industry to assess the overall strength of the self-insurance plans that are approved.

In the last quarter of 2004, Susan Tonry (the Authority's Assistant Director of Research, Investor Relations, and Compliance) attended the first round of rating meetings under the regulatory program. The Authority's policy required that all borrowers with a self-insurance program obtain an annual rating from A.M. Best Company. In order to provide an accurate rating, A.M. Best creates an outline of issues, specific to the program and the borrower, from which a representative of the borrower must craft a presentation to be given at an annual meeting with A.M. Best. These meetings allow the borrower an opportunity to provide explanations and embellishment to the data that was provided. The first round of meetings accomplished the goals originally intended by the Authority's monitoring program. Staff is proud to say that all of the hospitals that have gone through the rating process to date have come out with favorable ratings that meet or exceed the minimum requirements.

Authority bondholders can feel secure that the borrowing hospitals have taken precautions against unexpected financial fallout due to insurance issues, and Authority borrowers can feel secure that staff continues to review its requirements to ensure that they are as user-friendly as possible.

Internal review also resulted in the Authority's **easement of Pension Reporting Requirements**. Due to significant investment losses incurred by a number of hospital pension funds, many Authority borrowers experienced major funding requirements in 2002. In January 2003, the Authority responded to protect both the borrowers and bondholders by outlining a new set of pension reporting requirements that obligated borrowers to submit their annual Pension Audit and IRS Form 5500 to the Authority in order to ensure proper funding.

Fortunately, the Authority was not the only organization to notice and react to pension funding weaknesses. The Financial Accounting Standards Board issued FAS 132, **Employers' Disclosures about Pensions and Other Postretirement Benefits**, which:

- standardized disclosure requirements for pensions and other post-retirement benefits,
- required additional information on changes in the benefit obligations and fair values of plan assets that facilitate financial analysis,
- eliminated certain disclosures that are no longer as useful, and
- suggested combined formats for disclosure presentation.

FAS 132 impacted the financial statements of years ending after December 15, 2003. In addition to the new Statement, improved market conditions in 2003 benefited the plans and the sponsors' financial conditions.

Recognizing the overall improved state of pension funding, the Authority eased its reporting requirements. Instead of the annual provision of a Pension Audit and IRS Form 5500, borrowers could add language to their quarterly CFO certificate (submitted to the Authority by its borrowers) stating that the Pension Audit and IRS Form 5500 have been reviewed by the CFO, and that the hospital is in compliance with the funding requirements set forth by ERISA.

The Authority is proud of its ability to continuously adjust and improve its practices for the betterment of the borrowers and bondholders.

COMP Program Issue

\$51,100,000

The Authority's Variable Rate Composite Program or "COMP Program" enables qualified health care borrowers to access the tax-exempt and/or taxable capital markets at variable interest rates with shared issuance costs. Documents are standardized and bonds can be marketed for more than one borrower at a time, thereby reducing the costs of issuance. Four borrowers participated in this fifth tranche of the COMP program in 2004.

South Jersey Hospital, Inc.

\$15,075,000

South Jersey Hospital, Inc. is a nonprofit corporation that operates both the Elmer Hospital (a 91-bed acute care facility in Salem County) and the recently opened South Jersey Healthcare Regional Medical Center, a 262-bed, 441,000 square foot facility, built on 62.5 acres in Cumberland County, New Jersey.



John A. DiAngelo
Senior Vice President of Finance and Chief Financial Officer

Delivery Date:	June 24, 2004
Final Maturity:	July 1, 2034
Ratings:	"Aa2/VMIG1" by Moody's
Enhancement:	Wachovia Bank, N.A. Letter of Credit
Initial Interest Rate:	1.04%, reset weekly

The proceeds of the financing were used to fund the construction and equipping of an addition to the RMC for the establishment of a Transitional Care Unit, consisting of an Observation Unit and Inpatient Care Unit, as well as the construction and equipping of a Cancer Treatment Center.



The new South Jersey Healthcare Regional Medical Center

Beth Israel Hospital Association of Passaic

\$13,300,000

Beth Israel Hospital Association of Passaic owns and operates the PBI Regional Medical Center, a 264-bed acute care medical facility. The facility's complete array of inpatient and outpatient services include the Eastern Heart Institute, a comprehensive cardiovascular services program, a comprehensive cancer center, Women and Children's Program, Orthopedics and Sports Medicine, Neurosurgery and Pain Management, Wound Care with hyperbaric chambers, Sleep Center, and an Emergency Department.



Joseph Aquilante
Vice President of Fiscal Affairs

Delivery Date:	June 24, 2004
Final Maturity:	July 1, 2014
Ratings:	"A2/VMIG1" by Moody's
Enhancement:	Commerce Bank, N.A. Letter of Credit
Initial Interest Rate:	1.07%, reset weekly

The proceeds of the financing refunded a portion of the Authority's \$30,600,000 Revenue Bonds (Beth Israel Hospital Association of Passaic Issue, Series 2003), which were originally issued to finance the acquisition of The General Hospital Center at Passaic, as well as the acquisition and installation of various medical, office and communications equipment needed for the borrower to relocate to the new facility.



Formerly AHS' "The General Hospital Center at Passaic", now the "PBI Regional Medical Center"

Meridian Nursing and Rehabilitation at Red Bank, \$14,725,000

Meridian Nursing & Rehabilitation at Red Bank, a partner company of Meridian Health System, is currently located only 1/2 mile from Meridian's Riverview Medical Center in Red Bank, New Jersey. The facility will provide: long-term care, short-term rehabilitation, post-hospital and post-surgical care, respite care, hospice care, 24-hour skilled nursing, coordination of physician services, and family counseling.



William N. Phillips
Senior Vice
President
of Finance
and Chief
Financial
Officer

Delivery Date:	June 24, 2004
Final Maturity:	July 1, 2035
Ratings:	"Aa1/VMIG1" by Moody's
Enhancement:	Fleet National Bank Letter of Credit
Initial Interest Rate:	1.03%, reset weekly

The proceeds of the financing were used to finance the acquisition of land and the construction and equipping thereon of an approximately 62,000 square foot nursing facility, consisting of 114 skilled nursing beds and 16 assisted living beds.



*Artist's rendering of the Meridian Nursing and
Rehabilitation Center at Red Bank*

Bayshore Community Hospital \$8,000,000

Bayshore Community Hospital is a 225-bed acute care hospital located on a 37-acre campus in Holmdel. Its services include cardiac catheterization, diagnostic imaging, medical/surgical, behavioral health, emergency, laboratory, and transitional care. Bayshore is affiliated with Robert Wood Johnson University Hospital, The Robert Wood Johnson Health Network and The Cancer Institute of New Jersey.



Michael Keen
Vice President
and
Chief
Financial
Officer

Delivery Date:	June 24, 2004
Final Maturity:	July 1, 2014
Ratings:	"A2/VMIG1" by Moody's
Enhancement:	Commerce Bank, N.A. Letter of Credit
Initial Interest Rate:	1.07%, reset weekly

The proceeds of the financing were used to finance and reimburse the Hospital for routine capital budget items for fiscal years 2004 and 2005 including the acquisition and installation of various medical, office and communications equipment, as well as the undertaking of various building improvements, including roof replacement, heating, ventilation and air conditioning upgrades and asbestos abatement.



Bayshore Community Hospital's 37- acre campus

Stand Alone Bond Issues

Underwood-Memorial Hospital Issue Series 2004 \$65,300,000

Underwood-Memorial Hospital is a nonprofit acute-care hospital located in Woodbury, Gloucester County, New Jersey, serving the primary care medical needs of portions of Gloucester, Camden and Salem counties. It is licensed for 305 beds and currently staffs and maintains 217 beds. It is governed by a voluntary Board of Trustees consisting of area residents and is currently one of the largest non-governmental employers in Gloucester County.



James R. Brant, CPA, FHFMA
Senior Vice President and Chief Financial Officer

Delivery Date:	January 22, 2004
Final Maturity:	July 1, 2033
Ratings:	"AAA" by S&P, "Aaa" by Moody's
Enhancement:	Ambac Assurance Corp.
Initial Interest Rate:	0.7% (7-day auction mode)

The proceeds of the financing were used to fund a major capital expansion and redevelopment initiative, including: a large-scale redevelopment of the Department of Emergency Medicine; a significant transformation to the Department of Physical Medicine and Rehabilitation; an enhancement of the ambulatory surgery unit to provide additional beds; increased imaging services through renovations; the reopening of 17 medical surgical beds in a renovated patient care unit; and the enhancement of patient and staff parking facilities. A portion of the proceeds were also used to pay the redemption price of outstanding Series B Bonds issued by the Authority in 1993.



Rendering of Underwood-Memorial Hospital post-expansion

Hackensack Univ. Medical Center Issue Series 2004 \$150,000,000

Hackensack University Medical Center ("HUMC") is a nonprofit New Jersey corporation that owns and operates a 683-bed general acute care hospital, providing secondary, tertiary and quaternary levels of care on both an inpatient and outpatient basis, located in the city of Hackensack, New Jersey. As a teaching and research hospital affiliated with the University of Medicine and Dentistry of New Jersey - New Jersey Medical School, HUMC is the largest provider of inpatient and outpatient services in the state of New Jersey.



Harold P. Hogstrom
Executive Vice President and Chief Financial Officer

Delivery Date:	February 26, 2004
Final Maturity:	January 1, 2036
Ratings:	"AAA" by Fitch, "Aaa" by Moody's
Enhancement:	Ambac Assurance Corp.
Initial Interest Rates:	0.7% (two 7-day auction mode tranches) 0.8% (two 35-day auction mode tranches)

The proceeds of the financing were used to construct the Women's and Children's Pavilion and parking garage, to renovate and improve portions of existing facilities, and to purchase medical and other capital equipment.



The Women's and Children's Pavilion at HUMC

Atlantic Health System Issue Series 2004 \$26,300,000

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 hospitals affiliated with the University of Medicine and Dentistry of New Jersey / New Jersey Medical School.



Kevin Shanley
Vice President
of Finance
and
Chief
Financial
Officer

Delivery Date:	June 29, 2004
Final Maturity:	July 1, 2016
Ratings:	"AAA" by S&P, "Aaa" by Moody's
Enhancement:	Ambac Assurance Corporation
Initial Interest Rate:	1.17% (7-day PARS auction rate mode)

The proceeds of the financing were used to currently refund the remaining Series 1997B Periodic Auction Rate Securities, which had been used by the System to acquire The General Hospital Center at Passaic.



Formerly AHS' "The General Hospital Center at Passaic", now the "PBI Regional Medical Center"

Robert Wood Johnson Univ. Hosp. Issue Series 2004 \$50,000,000

Robert Wood Johnson University Hospital ("RWJUH"), a not-for-profit 275-bed acute care hospital in New Brunswick, is the principal teaching hospital for the UMDNJ - Robert Wood Johnson Medical School. RWJUH's children's hospital, called The Bristol-Myers Squibb Children's Hospital, is a free-standing acute care facility on the RWJUH campus, and it has the region's only state-designated Pediatric Intensive Care Unit.



John Gantner
Chief
Financial
Officer
and
Treasurer

Delivery Date:	September 22, 2004
Final Maturity:	July 1, 2029
Ratings:	"Aa2/VMIGI" by Moody's
Enhancement:	Wachovia Bank, N.A. Letter of Credit
Initial Interest Rate:	1.45%, reset weekly

The proceeds of the financing were used to fund The Bristol-Myers Squibb Children's Hospital expansion, renovate obstetrics space, and procure capital equipment.



The Bristol-Myers Squibb Children's Hospital in New Brunswick

Stand Alone Bond Issues

Virtua Health, Inc. Series 2004 \$60,000,000

Virtua Health, Inc. is the parent company of Virtua-West Jersey Health System, which is comprised of Virtua-Memorial Hospital of Burlington County (a 383 licensed bed acute care hospital) and Virtua-West Jersey Health System (a 571 licensed bed system that operates three acute care hospitals located in Berlin, Marlton, and Voorhees).



Robert M. Segin
Vice President
and
Chief
Financial
Officer

Delivery Date:	December 3, 2004
Final Maturity:	July 1, 2033
Ratings:	"Aa2/VMIG1" by Moody's
Enhancement:	Wachovia Bank Letter of Credit
Initial Interest Rate:	1.53%, reset weekly

The proceeds of the financing were used to refinance an outstanding Capital Asset Loan and fund various projects including a new ICU, expanded lobby, cardiac catheterization lab, and a new wing to house a 24-bed post-interventional care unit at the Marlton campus; interior renovations including labor and delivery suites, a postpartum unit, a neonatal and pediatric intensive care unit, and expanded operating rooms at the Voorhees campus; and interior renovations and restoration work including an intensive care unit, a progressive care unit and a pulmonary and adult care unit for the elderly at the Berlin campus. The proceeds also funded information technology enhancements at all the Virtua campuses.



A room in the new ICU at Virtua's Marlton campus.

Saint Clare's Hospital Series 2004A & Series 2004B \$104,000,000

Saint Clare's Hospital, Inc. is sponsored by the Sisters of the Sorrowful Mother and operates as a non-profit corporation with four operating divisions located in Denville, Dover, Boonton and Sussex. The Hospital operates 310 acute care beds and 110 behavioral health beds. The Hospital's parent and sole corporate member is the Marian Health System.



Peter Kisylia
Vice
President of
Finance
and Chief
Financial
Officer

Delivery Date:	December 16, 2004
Final Maturity:	July 1, 2025
Ser. 2004A Ratings:	"AA" by both S&P and Fitch
Ser. 2004B Ratings:	"Aaa" by Moody's, and "AAA" by both S&P and Fitch
Ser. 2004A Insurance:	Radian Asset Assurance Inc.
Ser. 2004B Insurance:	MBIA Insurance Corporation
All-In Interest Cost:	5.00%

The proceeds of the financing were used to currently refund the Saint Clare's Series 1994 bonds, the Dover General Series 1994 bonds and the COMP Series 2003 A-4 bonds; fund the construction and renovation costs for projects which include the Emergency Unit at Dover and the Obstetrics Unit at Denville; and, fund the costs of heating, air conditioning, electrical and other infrastructure improvements at Boonton.



Emergency Room at Saint Clare's Dover Campus

The New Jersey Health Care Facilities Financing Authority's
complete
2004 Audited Financial Statements
are available online at
<http://www.state.nj.us/njhcffa/pdf/2004annualreport.pdf>
or by contacting the Authority at (609)292-8585.

