

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

Minutes of the meeting of the New Jersey Transportation Trust Fund Authority (the "Authority") held at the Office of the Commissioner in the Administration Building of the New Jersey Department of Transportation, 1035 Parkway Avenue, Trenton, New Jersey on May 8, 2008 at 11:10 a.m. (E.D.T.)

The following Authority members were present:

Kris Kolluri, Esq., Chairman, Commissioner, Department of Transportation

Steve Petrecca, Manager, Office of Management & Budget, Designee for The Honorable
R. David Rousseau

Robert A. Briant, Jr., Public Member

Joseph Ripa, Public Member

Constituting a quorum of the Members of the Authority

There were also present:

Steven Hanson, Executive Director

Sandra Deon, Secretary of the Authority

Mina Tsintzas, Assistant Secretary of the Authority

Aimee Manocchio Nason, Deputy Attorney General

Jim Petrino, Assistant Director, Office of Public Finance

David Moore, Manager, Office of Public Finance

Judy Sigle, Director, Division of Accounting & Auditing

Mike MacFeeters, Division of Accounting & Auditing

Ivette Santiago-Green, Esq., TTFA Ethics Liaison Officer

Sonia Frontera, Esq., Governor's Authorities Unit

Jim Vari, Program Analyst, Office of Budget and Management

John T. Kelly, Esq., Wilentz, Goldman & Spitzer, P.A., Bond Counsel

Simone Bartlett, Analyst, Goldman, Sachs & Co.

Stacy Sonnenberg, Vice President, Goldman, Sachs & Co.

Peter D. Nissen, Managing Director, Acacia Financial Group, Inc., Financial Advisor

Tim Greeley, Press Officer, NJDOT Office of Communications

Dunstan McNichol, Report, The Star Ledger

Commissioner Kris Kolluri presided at the meeting, and Sandra Deon, Secretary, kept the minutes.

Commissioner Kolluri convened the meeting at 11:10 a.m. Executive Director Hanson called the roll. After acknowledging that a quorum of the members were present, he made the following statement:

I wish to announce that adequate notice of today's meeting of the New Jersey Transportation Trust Authority has been provided in accordance with the Open Public Meetings Act. Notice was filed with the Secretary of State. This notice was also mailed to five newspapers of general distribution (The Trentonian, Trenton Times, Camden Courier Post, Star Ledger, and Atlantic City Press), posted on the Authority's website, and in the main entrance of the New Jersey Department of Transportation's Headquarters.

Mr. Briant moved the following resolution approving the minutes of the Authority's February 29, 2008 meeting:

WHEREAS, Article II, Section 8 of the Bylaws of the New Jersey Transportation Trust Fund Authority provides that the minutes of actions taken at meetings of the Authority be approved by the Authority.

NOW, THEREFORE, BE IT RESOLVED, that the minutes taken at the meeting of February 29, 2008 of the New Jersey Transportation Trust Fund Authority are hereby approved.

The above resolution was seconded by Mr. Ripa and the Executive Director polled the members:

Commissioner Kolluri - Yea

Mr. Briant – Yea

Mr. Ripa – Yea

Mr. Petrecca – Yea

Nays: 0

As the next order of business, Chairman Kolluri called upon Executive Director Hanson to give a brief overview of the proposal to authorize the conversion of all or a portion of the Authority's Transportation System Bonds, 2003 Series B.

Executive Director Hanson provided the Board members with background on the original issue of the 2003 Series B Bonds. The Authority issued variable rate bonds in conjunction with a swap agreement whereby the Authority paid the swap counterparty, Goldman Sachs Mitsui Marine Derivative Products, L.P. ("Goldman Sachs Derivative") a fixed fee payment and the counterparty in return paid the Authority 67% of LIBOR which was meant to cover the cost of the variable rate bonds. The fixed rate payments made by the Authority to the counterparty were lower than would otherwise be obtained had the Authority issued traditional fixed rate securities at that time. The mode originally used for the variable rate bonds was Auction Rate Securities ("ARS"). This method worked fine until recently when the financial condition of some of the bond insurers came into question as a result of their insuring sub prime mortgages. This produced a loss of confidence in the bonds insured by these firms and in particular disrupted the normal ARS auctions, which provide liquidity to investors. The disruption included the TTFA's 2003 Series B Bonds and triggered bond provisions for a much higher formulaic maximum interest rate needed to compensate investors for their lack of liquidity. These higher rates are now costing the Authority approximately \$200,000 per week in additional interest costs which has lead to today's meeting to authorize the conversion of the ARS to another mode.

Mr. Hanson then called on Jim Petrino, Assistant Director, Office of Public Finance, to provide the Board with some background on the actions being taken by the State with respect to the auction rate bond portfolio. Mr. Petrino briefly described the State's plan to restructure

and/or refund the existing auction rate portfolios of various authorities, including the TTFA, and the ongoing implementation of the plan.

Mr. Hanson then introduced Stacy Sonnenberg, Vice President, Goldman Sachs & Company, and asked her to describe the proposed conversion to another mode and explain any other financial aspects of the proposed transaction. Ms. Sonnenberg stated that there are a few options available to the Authority for the ultimate plan of finance. First, the Authority can convert its ARS to variable rate demand bonds (“VRDBs”), which are another form of variable rate debt. By converting to VRDBs, the Authority can keep its swap agreement in place without changes. VRDBs are different than ARS in that their rate is set by a remarketing agent instead of through a dutch auction. Further, investors are assured of their liquidity in the VRDB product because they have the ability to put the VRDBs back to the issuer at anytime. In order for the Authority to be able to provide for a put, it purchases liquidity from banks in the form of either a direct pay letter of credit or standby bond purchase agreement. For the proposed conversion, the B-1s, B-2s, and B-3s will be stripped of their XL insurance, which provides no value in the current market, and would then utilize a direct pay letter of credit to provide for liquidity as well as a guarantee of principal and interest payments. The B-4s and B-5s will keep their FSA insurance, which is still quite valuable, and utilize a cheaper standby bond purchase agreement to provide for liquidity. To fund costs of issuance, the Authority can modify its swap agreement and sell to Goldman Sachs its call provisions. The call’s value at the present time is approximately \$9 million.

Alternatively, the Authority can convert its ARS to fixed rate bonds. Doing so requires that the existing swap agreement be modified. This can be done one of two ways. First, the swap agreement can be terminated at the current mark to market value. This would eliminate all

exposure by the Authority to tax risk, basis risk, and counterparty risk. Second, the fixed payer swap can be overlaid with a fixed receiver swap to effectively convert it to a basis swap. This option eliminates the termination payment and results in similar risk profile that the Authority currently has with its fixed payer swap.

Executive Director Hanson then introduced John Kelly, Wilentz, Goldman, and Spitzer, PA, the Authority's Bond Counsel, and asked him to describe for the Board the elements of the Bond Resolution that the Board was voting on today.

Mr. Kelly proceeded to explain the provisions of the Resolution to the Board. Mr. Kelly stated that the Resolution authorizes the conversion of all or any subseries of the 2003 Series B Bonds to another interest rate mode and contemplates that all of the 2003 Series B Bonds will be converted to the weekly mode; however, the Resolution does permit the Authorized Officers of the Authority, in consultation with the State Treasurer, the Financial Advisor, Bond Counsel and the State Attorney General, to determine, based on market conditions at the time and the availability of credit and liquidity facilities from commercial banks and such other factors as the Authorized Officers of the Authority and the State Treasurer may deem relevant, to convert all or any subseries of the 2003 Series B Bonds to a fixed interest rate to maturity or any other permitted interest rate mode other than the weekly mode. Mr. Kelly further informed the Board that the Resolution authorizes the termination and/or amendment of the existing interest rate swap agreements relating to the 2003 Series B Bonds and the entry into new interest rate swap agreements in connection with the conversion and remarketing of all or any subseries of the 2003 Series B Bonds. With respect to the entry into any new interest rate swap agreements, Mr. Kelly stated that the Resolution authorizes the Authorized Officers of the Authority to prepare and circulate a term sheet relating to such new swap agreements, to solicit competitive bid proposals

from at least three potential swap counterparties and to execute and deliver such new swap agreements on the terms and conditions set forth in the Resolution. With respect to the existing bond insurance policies relating to the 2003 Series B Bonds, Mr. Kelly explained that the Resolution authorizes the amendment and/or termination and cancellation of such policies in connection with the remarketing of the 2003 Series B Bonds.

Mr. Kelly continued his explanation by stating that the Resolution approves the selection of Goldman, Sachs & Co. as the senior managing Remarketing and Placement Agent and as a Remarketing Agent for the 2003 Series B Bonds, and authorizes the selection of one or more additional Remarketing and Placement Agents and/or Remarketing Agents. He further explained that the Resolution approves the selection of UBS AG, Stamford Branch, as a provider of a letter of credit and JPMorgan Chase Bank as the provider of a standby bond purchase agreement in connection with the conversion and remarketing of the 2003 Series B Bonds, and authorizes the selection of additional credit/liquidity providers for the 2003 Series B Bonds. Mr. Kelly also stated that the Resolution approves the form of, and authorizes the execution and delivery of, the Remarketing and Placement Agreement, the Remarketing Agreement, the Reimbursement Agreement with UBS AG, the Standby Bond Purchase Agreement with JPMorgan Chase and the Remarketing Circular relating to the 2003 Series B Bonds and authorizes the distribution of the Remarketing Circular in connection with the conversion and remarketing of the 2003 Series B Bonds. Finally, Mr. Kelly also informed the Board that the Resolution approves the selection of Acacia Financial Group as the Financial Advisor to the Authority in connection with the transactions contemplated by the Resolution.

Mr. Kelly advised the Board that some conforming changes had been made to the Standby Purchase Agreement, Reimbursement Agreement, and Letter of Credit and that copies

were on the table for the Board Members to review if interested. He also outlined for the Board Members the decisions about certain details of the transaction that were being delegated to the Executive Director or other Authorized Officers of the Authority under the Bond Resolution.

Commissioner Kolluri then asked that the Board Members review and discuss the Cost of Issuance, which is Exhibit A under Tab E, and that after the discussion motions and votes would be taken on both the Bond Resolution and Costs of Issuance.

Executive Director Hanson briefly discussed the line items shown in the Costs of Issuance and then asked Peter Nissan, Acacia Financial Group, Inc., the Authority's Financial Advisor, whether or not the future ongoing costs for remarketing the bonds and providing liquidity would be greater than the current ongoing fees paid to brokers-dealers and auction agents for marketing ARSs. Mike MacFeeters, the TTFA's accountant, indicated it was currently costing the Authority \$880,000 a year for such services. Peter Nissan and Stacy Sonnenberg then performed some quick calculations to estimate that new ongoing costs for remarketing and providing liquidity for the VRDBs would be about \$1.6 million annually. It was also mentioned that the costs for liquidity providers would likely go down in future years when the current one and three year contracts were renewed. Commissioner Kolluri then asked how the additional operating costs and costs of issuance would compare with the additional cost of continuing with the ARSs without change. Mr. Nissan indicated that on an annual basis the additional interest cost could total \$10.4 million annually plus \$880,000 in broker-dealer and auction agent fees compared to the \$867,000 costs of issuance and the estimated \$1.6 million in additional annual costs to support the VRDBs. Commissioner Kolluri and Board Members Ripa, Briant, and Petrecca all agreed this cost benefit argument for converting the 2003 Series B Bonds was compelling.

The Board also discussed the source of funds to pay for the cost of issuance. One possible source mentioned in the Bond Resolution would be to amend the contract with Goldman Sachs Derivatives to eliminate the current call provision which would allow the Authority to terminate the swap agreement in 2012. It was estimated that Goldman Sachs Derivatives would pay the Authority \$9 million for this amendment and those revenues could be used to cover the cost of issuance. John Kelly mentioned that it might also be possible to negotiate some later date of termination for some lesser amount of reimbursement from Goldman Sachs Derivatives. The other alternative for financing the Cost of Issuance would be normal appropriations to the Authority under the State Contract.

After these presentations, there being no further discussion, Mr. Briant moved the following resolution approving the conversion of all or a portion of the Authority's Transportation System Bonds, 2003 Series B.

The above resolution was seconded by Mr. Ripa and Executive Director Hanson polled the members:

Mr. Kolluri: Yea

Mr. Petrecca: Yea

Mr. Briant: Yea

Mr. Ripa: Yea

Commissioner Kolluri then asked for a motion approving the costs of issuance. Mr. Ripa then moved the following resolution approving the payment of costs of issuance that will be incurred in connection with the conversion and remarketing of the New Jersey Transportation Trust Fund Authority's Transportation System Bonds, 2003 Series B.

WHEREAS, by virtue of the provisions of the New Jersey Laws of 1984, as amended (the "Act"), N.J.S.A. 27:1B-1 et seq., the New Jersey Transportation Trust Fund Authority (the "Authority") is authorized to issue its bonds, notes and other obligations (collectively, the "Obligations") from time to time and to sell such Obligations at public or private sale at a price or prices and in a manner as the Authority shall determine; and

WHEREAS, the Authority also has determined at its meeting of May 8, 2008 to authorize the conversion and remarketing of all or a portion of its Transportation System Bonds, 2003 Series B (the "Bonds"), and certain other transactions in connection with such conversion, including without limitation, amending and/or terminating, in whole or in part, the existing swap agreements, and/or entering into one or more new swap agreements and obtaining credit enhancement and/or liquidity facilities for the Bonds; and

WHEREAS, it will be necessary for the Authority to incur various costs of issuance in connection with the conversion and remarketing of the Bonds and the other transactions described above ("Costs of Issuance") as described in Exhibit "A" attached; and

WHEREAS, the Authority has determined that the Costs of Issuance should be approved for payment upon completion of the conversion and remarketing of the Bonds;

NOW, THEREFORE, BE IT RESOLVED, that:

1. The Costs of Issuance as described in Exhibit "A" attached are hereby approved for payment upon the conversion and remarketing of the Bonds in an amount not in excess of ten percent (10%) of each of the amounts shown.

2. The Executive Director is hereby authorized to take and do any and all acts and things as may be necessary in connection with the payment of such Costs of Issuance.
3. This Resolution shall take effect upon adoption in accordance with the Act.

EXHIBIT “A”

**CONVERSION AND REMARKETING
OF THE
TRANSPORTATION SYSTEM BONDS, 2003 SERIES B**

Bond Counsel	<i>Wilentz, Goldman & Spitzer, P.A.</i>	\$ 80,000.00
Printer	<i>Bowne of Philadelphia</i>	50,000.00
Ratings	<i>S&P Moody’s Fitch</i>	225,000.00 (aggregate)
Trustee	<i>Commerce Bank</i>	2,500.00
Trustee’s Counsel	<i>McManimon & Scotland</i>	4,500.00
Miscellaneous	<i>Various</i>	10,000.00
Structuring Fee	<i>Office of Public Finance</i>	waived
Financial Advisor’s Fee	<i>Acacia Financial Group</i>	80,000.00
Letter of Credit (LOC) Bank Fee	<i>UBS Investment Bank</i>	325,000.00
LOC Bank Counsel Fee	<i>Chapman & Cutler</i>	55,000.00
Standby Bond Purchase Agreement Counsel	<i>King & Spalding LLP</i>	30,000.00
XLS Insurance Counsel Fee	<i>TBA</i>	5,000.00
<u>TOTAL</u>		<u>\$ 867,000.00</u>

It is currently anticipated that the costs and expenses incurred by the Authority in connection with the contemplated transactions will be paid from the proceeds received by the

Authority from Goldman Sachs Mitsui Marine Derivative Products, L.P. (the existing swap provider) in connection with an amendment to one or both of the Authority's existing swap agreements whereby the Authority will relinquish and/or modify certain of its termination rights under one or both of its existing swap agreements. To the extent that such proceeds are insufficient to pay such costs and expenses, such costs and expenses shall be paid from available amounts received by the Authority pursuant to the contract with the State Treasurer.

The above resolution was seconded by Mr. Ripa and Executive Director Hanson polled the members:

Mr. Briant – Yea

Mr. Ripa – Yea

Mr. Petrecca – Yea

Mr. Kolluri - Yea

Nays: 0

Commissioner Kolluri stated that at all future Authority meetings he would ask for any public comments at this time.

There being no further business coming before the Authority, Commissioner Kolluri requested a motion to adjourn the meeting. Mr. Briant moved that the May 8, 2008 meeting of the Transportation Trust Fund Authority be adjourned, and Mr. Petrecca seconded the motion, which was unanimously adopted.

The New Jersey Transportation Trust Fund Authority Meeting ended at approximately 11:48 a.m.

Respectfully submitted,

Sandra Deon
Secretary of the Authority