

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

Minutes of the meeting of the New Jersey Transportation Trust Fund Authority (“Authority”) held at the Office of the Commissioner in the Main Office Building of the New Jersey Department of Transportation, 1035 Parkway Avenue, Trenton, New Jersey on Tuesday, October 28, 2008 at 2:00 PM (EDT).

The following Authority members were present:

- Kris Kolluri, Esq., Commissioner, New Jersey Department of Transportation; Chairman, New Jersey Transportation Trust Fund Authority
- Steve Petrecca, Manager, Office of Management and Budget – (Designee for the Honorable R. David Rousseau, New Jersey State Treasurer)
- Robert A. Briant, Jr., Public Member
- Joseph Ripa, Vice Chairman – (*Via Conference Call*)

Constituting a quorum of the Members of the Authority.

There were also present:

- Steven B. Hanson, Executive Director
- Patricia M. Dyer, New Jersey Department of Transportation
- Mina Tsintzas, Assistant Secretary of the Authority
- Linda M. Davino, New Jersey Department of Transportation
- Kavin Mistry, DAG, Division of Law, New Jersey Department of Law and Public Safety
- Nancy Feldman, Director, Office of Public Finance
- Judith A. Sigle, Director, Division of Accounting and Auditing
- Michael J. MacFeeters, Division of Accounting and Auditing
- Ivette Santiago-Green, Esq., NJ TTFA Ethics Liaison Officer
- Sonia Frontera, Esq., Governor’s Authorities Unit
- Tricia Gasparine, Bond Counsel – McManimon & Scotland, L.L.C.
- Robert Rodriguez, Financial Advisor (A.C. Advisory, Inc.)
- Eugene Spinelli, Senior Managing Underwriter – Merrill Lynch
- Dunstant McNichol, Reporter, The Star Ledger

Commissioner/Chairman Kolluri presided at the meeting and Mina Tsintzas, Assistant Secretary, kept the minutes.

Commissioner/Chairman Kris Kolluri convened the meeting at 2:00 PM. Executive Director Steve Hanson called the roll. After acknowledging that a quorum was present (Vice Chairman Joseph Ripa via Conference Call), Executive Director Hanson made the following statement:

"I wish to announce that adequate notice of today's meeting of the New Jersey Transportation Trust Fund 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 (5) newspapers of general distribution (Atlantic City Press, Camden Courier Post, Star Ledger, The Trentonian, and Trenton Times); posted on the Authority's website; and it is posted in the main entrance of the New Jersey Department of Transportation's Headquarters."

As the first order of business Commissioner/Chairman Kris Kolluri requested a motion to approve the minutes of the Authority's May 8, 2008 meeting.

Public Member Robert A. Briant moved the following resolution approving the minutes of the Authority's May 8, 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 May 8, 2008 of the New Jersey Transportation Trust Fund Authority are hereby approved.

The motion was seconded by Vice Chairman Joseph Ripa and the members were polled with all members being in favor and no members were in opposition; therefore, the motion was carried.

As the next order of business, Commissioner/Chairman Kolluri stated that vacancies have occurred in the offices of TTFA Secretary and Assistant Secretary, and a new TTFA Secretary and an Assistant Secretary needed to be elected. Commissioner/Chairman Kolluri requested nominations for Secretary and recommended that Pat Dyer be nominated to serve as Secretary of the Authority for the remainder of Fiscal Year 2009.

Mr. Steve Petrecca moved the following resolution electing Pat Dyer be Secretary of the Authority for the remainder of Fiscal Year 2009.

WHEREAS, the Bylaws of the Authority provide for the annual election by the Authority of a Secretary and such other officers as it shall deem necessary; and

WHEREAS, a vacancy has occurred in the office of Secretary of the Authority; and

WHEREAS, the Authority desires to fill the office of Secretary;

NOW, THEREFORE, BE IT RESOLVED that the Authority elects Pat Dyer to serve in the capacity of Secretary of the Authority for the remainder of Fiscal Year 2009.

Mr. Briant seconded the above motion, the members were polled with all members being in favor, and no members in opposition; therefore, the motion was carried.

The Commissioner then requested nominations for an Assistant Secretary and recommended that Linda Davino be nominated to serve as Assistant Secretary of the Authority for the remainder of Fiscal Year 2009.

Mr. Petrecca moved the following resolution electing Linda Davino to serve as Assistant Secretary of the Authority for the remainder of Fiscal Year 2009.

WHEREAS, the Bylaws of the Authority provide for the annual election by the Authority of a Secretary and such other officers as it shall deem necessary; and

WHEREAS, the Authority has deemed it necessary to have an Assistant Secretary; and

WHEREAS, a vacancy has occurred in the office of Assistant Secretary of the Authority; and

WHEREAS, the Authority desires to fill the office of Assistant Secretary;

NOW, THEREFORE, BE IT RESOLVED that the Authority elects Linda Davino to serve in the capacity of Assistant Secretary of the Authority for the remainder of Fiscal Year 2009.

Mr. Briant seconded the motion, the members were polled with all members being in favor and no members in opposition; therefore, the motion was carried.

The next item introduced for business was Agenda Package, Item / Tab E – Results of 2003 Series B Conversion. Commissioner/Chairman Kolluri asked Nancy Feldman, Director, Office of Public Finance, to summarize the recently concluded transaction where the Authority converted the 2003 Series B Bonds from Auction Rate Securities to fixed rate bonds.

Nancy Feldman stated that the Auction Rate Securities were converted to Fixed Rate Bonds rather than Variable Rate Demand Bonds as originally planned. The market changed after the Board approved the conversion transaction. The credit quality of the banks as well as the bond insurers continued to deteriorate so the bonds were converted to Fixed Rate Bonds the last week in August. The marketing and the actual conversions occurred in the first weeks

of September and were completed just prior to the absolute collapse of the global finance system absolute collapse of the global finance system. The Authority was able to convert the \$345.0 Million bonds to Fixed Rate Bonds at an overall true interest cost of 4.18%. The interest rate environment for the current transaction is significantly higher than the 4.18%. No other actions can be taken at this time with respect to any other elements of the conversion transaction and, as soon as such actions are completed, the Board will be advised. Commissioner/Chairman Kolluri then asked Nancy Feldman to confirm that the Auction Rate Securities were completely converted. Ms. Feldman responded that all the bonds were converted to Fixed Rate bonds. Commissioner/Chairman Kolluri inquired about the term of the bonds. Ms. Feldman responded that the term of the bonds did not change. The last bonds will still mature in 2018. They did not change anything about the allocation over that period. The average term of the new bonds is 12.219 years which is what it was before the conversion.

The next item of business was Agenda Package, Item / Tab F – Proposal to Issue the Authority's Transportation System Bonds, 2008 Series. Commissioner/Chairman Kolluri asked Executive Director Hanson to advise the Board regarding the pending sale of 2008 Series A Bonds to finance the Authority's Capital Program project expenditures for the remainder of Fiscal Year 2009.

Executive Director Hanson stated that the Authority has expended the proceeds of the Transportation System Bonds, 2007 Series A and; therefore, the Authority needs a new cash infusion. Executive Director Hanson requested Eugene Spinelli of Merrill Lynch, Pierce, Fenner

& Smith, Inc. to discuss current market conditions and strategy for selling the 2008 Series Bonds. Mr. Spinelli stated that a multiple issue strategy, with an initial issuance of approximately \$500.0 Million of current interest and capital appreciation bonds, will be used with a heavy emphasis on marketing the 2008 Series Bonds to retail buyers. Commissioner/Chairman Kolluri asked if this use of capital appreciation bonds would be the first such use since the start of the global financial crisis. Nancy Feldman, Office of Public Finance, Department of the Treasury, stated that this, indeed, is the case and that the last issuance of capital appreciation bonds in the municipal market occurred prior to beginning of the global financial crisis and involved a Texas toll road authority's issuance of revenue bonds. Commissioner/Chairman Kolluri asked what the fallback position is if capital appreciation bonds cannot be sold due to current market conditions and what effect would this have on the construction program. Ms. Feldman stated that not being able to use capital appreciation bonds and, instead, selling mostly current interest bonds, in connection with the initial issuance of the 2008 Series A Bonds would result in potentially utilizing the entire \$895.0 Million in constitutionally dedicated revenues for debt service only and would negatively impact the Fiscal Year 2011 financing program. Ms. Feldman asked Mr. Spinelli to discuss current interest conditions. Mr. Spinelli indicated that interest rates are approximately 150 basis points higher than the last Authority financing transaction. Commissioner/Chairman Kolluri then stated that fixed interest rates were at 6.45%. Mr. Spinelli clarified that the municipal bond interest rate market was very fluid and was currently moving, up and down, about 15 to 20 basis points a day. Mr. Spinelli then stated that interest rates for current

interest bonds are currently in the 5.5% to mid-6% range on average and that interest rates on capital appreciation bonds generally run approximately 75 basis points higher than on current interest bonds. Mr. Robert Rodriguez, A.C. Advisory, Inc., then informed the Authority that Standard and Poor's has rated the 2008 Series A Bonds as AA-, affirming its existing rating on the Authority's bonds. Mr. Rodriguez also stated that Moody's has rated the 2008 Series A Bonds as A1 with a stable outlook and that he was awaiting a rating from Fitch. Executive Director Hanson then stated that in the Q&A it references an approximate \$1.0 Billion in cash financing for the Fiscal Year 2011 program; however, those funds would only cover existing program projects.

Mr. Hanson then called upon Tricia Gasparine of McManimon & Scotland, Bond Counsel, to summarize the Resolution being presented to the Board. Ms. Gasparine noted that the Resolution authorizes the issuance, as Ms. Feldman and Mr. Spinelli said, of one or more Series of Transportation System Bonds in an aggregate principal amount not exceeding \$1,600,000,000 to pay for State Transportation System Costs and certain costs of issuance of the Bonds. The Resolution also authorizes a negotiated sale of the 2008 Series Bonds with Merrill Lynch, Pierce, Fenner & Smith Incorporated as Senior Manager and Citigroup Global Markets, Inc. and M.R. Beal & Company as Co-Senior Manager, and other matters in connection therewith, including the distribution of a Preliminary Official Statement and the execution and delivery of a Bond Purchase Contract and a Continuing Disclosure Agreement, copies of which were included in the Board package. The Resolution also authorizes a broad range of actions as may be necessary or advisable, in light of changing market conditions, in

order to issue the 2008 Series Bonds on terms most favorable to the Authority. Further, the Resolution authorizes the use of the remarketing premium generated in connection with the Authority's remarketing of its 2003 Series B Bonds earlier this year to pay Transportation System Costs as well as the other uses authorized under the Conversion Resolution adopted on May 8, 2008.

Commissioner/Chairman Kolluri asked if there were any further discussion and then requested a motion to adopt the resolution entitled, "Twenty-Second Supplemental Transportation System Bond Resolution" which authorizes the Authority to issue up to but not exceed \$1.6 Billion in New Money Transportation System Bonds.

After these presentations, there being no further discussion, Mr. Robert A. Briant, Jr. moved the following Twenty-Second Supplemental Transportation System Bond Resolution:

INSERT "22ND Supplemental Transportation System Bond Resolution"

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

- Commissioner/Chairman Kolluri – Yea
- Mr. Briant – Yea
- Mr. Ripa –Yea
- Mr. Petrecca –Yea

Moving to the next item of business (Agenda Package, Item/Tab G – Approval of the 2008 Series A Cost of Issuance), Commissioner/Chairman Kolluri asked Executive Director Steve Hanson to summarize the cost of issuance presentation found in the Agenda Package.

Steve Hanson summarized by stating that it was a very plain vanilla Cost of Issuance plan. He noted the only difference between the Cost of Issuance for this sale compared to prior sales was the absence of bond insurance. He asked Nancy Feldman to comment on why the Authority was not pursuing any bond insurance for this sale. Ms. Feldman advised that when the Board approved the 2003 Auction Rate Remarketing it was, in part, because the Auction Rate bonds were not selling but also, in part, because the AAA rated bond insurers were having credit problems of their own. These companies had insured a number of non-municipal transactions that were related to sub-prime mortgages. As a result, there currently are only three bond insurers who are rated AAA but those ratings are currently under review by the three rating agencies. There is also another new entrant to this market, Berkshire Hathaway, which is still rated AAA. However, at this moment in time, bond insurance does not appear to be cost effective and there is very limited capacity for New Jersey paper even if it

were cost effective to purchase bond insurance. As a result, the bonds are being marketed based upon the credit quality of the Transportation Trust Fund Authority through the State Contract, and our financial advisors and underwriting team indicate that the Transportation Trust Fund Authority is a very well known name and very much in demand. Ms. Feldman indicated that it is expected that even without bond insurance the Authority's credit will be about as well received in the market as can be expected in this environment. Ms. Feldman then stated that she thought people were more afraid of bond insurers than they are of the State of New Jersey and thought that the Authority certainly has a stable credit quality as Robert Rodriguez (A.C. Advisory, Inc.) had indicated. She further stated that those outstanding ratings affirmed no change in the outlook and that the Authority has a better story to tell than the bond insurers. Commissioner/Chairman Kolluri then asked Ms. Feldman what was a typical cost range for bond insurance on an issuance of approximately \$1.4 Billion. Ms. Feldman responded that prior to the bond insurer problems, the Authority was paying about 50-60 basis points on total debt service. Eugene Spinelli (Merrill Lynch) indicated the total debt service on \$1.4 Billion of bonds would be about \$2.0 Billion. Accordingly, 50-60 basis would translate into over \$10.0 Million. Normally, bond insurance produces an overall savings in aggregate interest that would exceed the upfront premium paid to the bond insurer.

Commissioner/Chairman Kolluri asked if there were any more discussion points. There were none so Commissioner/Chairman Kolluri asked for a motion to adopt the Cost of Issuance Resolution as shown.

Mr. Petrecca moved the following resolution approving the cost of issuance that will be incurred in connection with the Authority's issuance of its Transportation System Bonds, 2008 Series.

INSERT "Cost of Issuance Resolution"

The above resolution was seconded by Mr. Briant. The members were polled with all members being in favor and none in opposition; therefore, the motion was carried.

Commissioner/Chairman Kolluri then asked if there was any further business. Executive Director Hanson responded that he had one final resolution which was distributed at the meeting that recognized recent retiree Sandra S. Deon for her outstanding service over the last ten years as Secretary to the Authority. Commissioner/Chairman Kolluri explained that Sandra (Sandy) Deon was the Secretary of the Board and retired after 10 years of service, and that she was also a 27 year employee of the Department.

Commissioner/Chairman Kolluri asked for a motion to adopt the following resolution and Mr. Briant moved the following resolution:

**RESOLUTION OF THE NEW JERSEY
TRANSPORTATION TRUST FUND AUTHORITY
OCTOBER 28, 2008**

WHEREAS, Sandra “Sandy” Deon was Secretary to the New Jersey Transportation Trust Fund Authority for the 10 year period from 1998-2008, and,

WHEREAS, the Secretary to the Authority plays a key role in the operation of the Authority including but not limited to scheduling meetings with many participants, assembling large agenda packages, preparing the official minutes for Governor’s approval, preparing statutorily required certifications required under various Executive Orders, acting as the Authority’s liaison for Open Public Records Act (OPRA) requests, and managing the day-to-day correspondence and business of the Authority, and

WHEREAS, Sandy Deon fulfilled all the duties of the Secretary in an outstanding manner and often under very short deadlines, and

WHEREAS, even under the most hectic of circumstances Sandy Deon always remained friendly, courteous, and professional toward board members, staff, and everyone she encountered in the course of her duties, and

WHEREAS, the people of the State of New Jersey, the Department of Transportation, and the Transportation Trust Fund Authority are genuinely indebted to hard working and concerned citizens, personified by Sandra Deon, whose time and energies are devoted to improving the effectiveness of their communities and the quality of life for their neighbors, now, therefore,

Be it Resolved by the New Jersey Transportation Trust Fund Authority

That this Authority hereby honors and salutes Sandra Deon as she retires from her extraordinary career at the New Jersey Department of Transportation, and her duties as Secretary to the Transportation Trust Fund Authority, commends her outstanding performance to the people of this State, and extends sincere best wishes for a long and happy retirement.

Kris Kolluri
Chairman

Robert A. Briant, Jr.
Board Member

Joseph Ripa
Vice Chairman

Steve Petrecca
Board Member

Steven B. Hanson
Executive Director

Mr. Petrecca seconded the motion, Executive Director Hanson polled the members, with all members being in favor and none being opposed, the motion was then carried.

Finally, Commissioner/Chairman Kolluri asked the Board if there were any other issues to be discussed. There being no further business coming before the Authority, Commissioner/Chairman Kolluri requested a motion to adjourn the meeting. Mr. Petrecca moved that the October 28, 2008 meeting of the New Jersey Transportation Trust Fund Authority be adjourned, Mr. Briant seconded the motion, all members were in favor with no members opposed, and the motion was carried.

The New Jersey Transportation Trust Fund Authority meeting concluded at approximately 2:25 PM.

Respectfully Submitted,

Mina Tsintzas
Assistant Secretary of the Authority