NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

MEMORANDUM

TO: Members of the Authority

FROM: Caren S. Franzini
Chief Executive Officer

SUBJECT: NJEDA/School Facilities Construction Bonds

DATE: August 22, 2012

SUMMARY

The Authority is currently being asked to approve the Amended and Restated Twenty-Ninth Supplemental School Facilities Construction Bond Resolution to include as a form of sale of the 2012 School Facilities Construction Refunding Bonds a direct purchase of bonds, in addition to a public offering, as previously approved by the Members of the Board.

BACKGROUND

On July 30, 2012, the Members approved the adoption of the Twenty-Ninth Supplemental School Facilities Construction Bond Resolution (the "Twenty-Ninth Supplemental Resolution") authorizing the issuance of one or more series of the 2012 Series Bonds and Notes and 2012 Refunding Bonds in the total aggregate amount not to exceed $425,000,000 (the "2012 Series Obligations"). It is expected that the proceeds of the 2012 Series Obligations will be used to (i) finance the costs of School Facilities Projects, including funding the grants to be made pursuant to Section 15 of the Act and (ii) refund one or more outstanding Series of the School Construction Bonds to provide debt service savings in Fiscal Year 2013. The proposed plan of finance includes the current refunding of the September 1, 2012 maturities of the School Facilities Construction Bonds, Series 2011 FF (taxable) and Series 2011 HH (taxable). RBC Capital Markets, LLC is the senior manager.

The intention of Treasury in managing the bond issuance was to enter the market in early to mid-August, particularly important for the refunding bond series, as the 2012 Refunding Bonds would need to be issued by August 31 in order for the State to capture the debt service savings in State Fiscal Year 2013. Due to all the necessary tasks needed to be completed within the compressed schedule, including updating the State's financial disclosure in time to be included in a public offering document and obtaining ratings on the 2012 Series Obligations from three rating agencies in advance of the sale, it became clear that the there would not be sufficient time to complete the financing by the August 31st deadline. However, in order to still achieve the expected savings by issuing the 2012 Refunding Bonds, it is now being proposed that a series of 2012 Refunding Bonds (Federally Taxable) be directly purchased by RBC Capital Markets, LLC on August 30, 2012.

APPROVAL REQUEST

The Members are requested to approve the adoption of the Amended and Restated Twenty-Ninth Supplemental School Facilities Construction Bond Resolution (the "Amended and Restated Twenty-Ninth Supplemental Resolution") authorizing the issuance of an additional series of 2012 Series Refunding Bonds in the amount not to exceed $25,000,000 to be directly purchased by RBC Capital Markets, LLC. The direct purchase of the bonds will not require an offering statement and other State disclosure or a bond rating. RBC Capital Markets, LLC has agreed to structure the direct purchase bond as a short term instrument (with a maturity in 75 days or less) at an agreed taxable rate of interest not to exceed 1.00%. Thereafter, the original plan of finance will proceed and the 2012 Series Obligations will be issued through a public offering in September 2012, together with another series of 2012 Refunding Bonds, the proceeds of which would be used to call and retire the direct purchase bond held by RBC Capital Markets, LLC.

RECOMMENDATION

Based upon the above description, and subject to the criteria set forth above, the Members are requested to approve the adoption of the Amended and Restated Twenty-Ninth Supplemental Resolution, and in addition to all actions previously approved in the Twenty-Ninth Supplemental Resolution on July 30, 2012, to also authorize the direct purchase of 2012 Refunding Bonds by RBC Capital Markets, LLC in the amount not to exceed $25 million, as well as other matters in connection with the issuance and sale thereof and otherwise described above; subject to final review and approval of all terms and documentation by Bond Counsel, Saul Ewing LLP and the Attorney General's Office.

Prepared by: Teresa Wells