NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

MEMORANDUM

TO: Members of the Authority

FROM: Caren S. Franzini
Chief Executive Officer

DATE: March 3, 2008

SUBJECT: Agenda for Special Board Meeting of the Authority March 3, 2008

1. **Notice of Public Meeting**
2. **Roll Call**
3. **Bond Projects**
4. **BEIP**
5. **Public Comment**
6. **Adjournment**

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

MEMORANDUM

TO: Members of the Authority

FROM: Caren S. Franzini
Chief Executive Officer

SUBJECT: NJEDA/School Facilities Construction Bonds
2004 Series H, 2005 Series Q and 2007 Series T

NEDA/Business Employment Incentive Program
2004 Series A and Series B

DATE: March 3, 2008

As you may be aware from recent media reports, problems have been developing in the tax exempt and taxable bond markets, specifically in the demand for auction rate securities.

The Authority has issued a number of series of bonds secured by contracts with the State Treasurer, subject to annual appropriation, which are currently outstanding in the form of auction rate securities. The State, through Treasury's Office of Public Finance, began taking steps to monitor and evaluate the State's and the Authority's portfolio of auction rate securities with the goal of mitigating potential exposure to market forces.

As a result of this monitoring, the Board Members are requested to approve several actions and delegation of actions to an authorized officer of the Authority to adjust the Authority's portfolio of auction rate bonds. Any and all actions are subject to the consent of the State Treasurer and final review and approval of the documentation by the Attorney General's Office and Bond Counsel.

Attached please find a memorandum from the Office of Public Finance outlining the actions requested to be approved by the Board.

Members of the Office of Public Finance, the Attorney General's Office and Bond Counsel will be present at the meeting to answer any questions you may have on this matter.

Prepared by: Teresa Wells

MEMORANDUM

TO:	Caren Franzini, Chief Executive Officer John Rosenfeld, Director, Program Services New Jersey Economic Development Authority
FROM:	Nancy B. Feldman, Director James M. Petrino, Deputy Director Matthew Donahue, Manager New Jersey Office of Public Finance
SUBJECT:	Auction Rate Bonds
DATE:	February 28, 2008

You may be aware that over the course of the past several months problems have been developing in both the taxable and tax exempt auction rate bond markets, whereby the 'AAA' rated bond insurers' exposure to the sub-prime mortgage crisis has caused a cascading impact on the bonds that they insure. Several bond insurers have experienced rating downgrades into the 'A' and 'AA' categories by some or all three rating agencies, while others remain 'AAA' but have their ratings on credit watch, review for downgrade or negative outlook. The 'AAA' ratings have been essential to the operation of the auction rate bond market, as investors have historically viewed the 'AAA' rating as the price of entry and a minimum requirement for their purchase of bonds in an auction.

The New Jersey Economic Development Authority has issued a number of series of bonds secured by contracts with the State Treasurer, subject to annual appropriation, to provide funds for the School Construction Corporation (SCC) program as well as the Business Economic Incentive Program (BEIP) and South Jersey Light Rail (Light Rail) programs. The majority of these bonds were issued as auction rate securities, whose interest rates are set through a dutch auction process on a periodic basis which may be daily, weekly, every 28 days, every 35 days, or in some cases longer. In the past several months, since the rating agencies have been reviewing the various bond insurers' ratings, the interest rates set through the auctions have risen slightly as there was more aggregate supply of auction rate bonds in the market than there was demand. The Office of Public Finance has been monitoring the trends and working with the broker/dealers who manage the auctions on the bonds to understand and consider adjustments to the outstanding bond portfolio in order to minimize interest rate increases.

Beginning February 12, 2008, the auction market worsened dramatically. Auctions began to fail throughout the tax exempt and taxable markets as there were significantly more sellers than buyers and the broker/dealer firms stopped placing orders for their own accounts. This raised the interest rates on various auction securities to the maximum failed auction rate permitted under the bond resolutions. In most cases, these maximums are set by a formula which is a multiple of the 1-month Libor rate. In some cases, the maximums are a fixed interest rate, such as 12%. Due to the increases in interest rates both on failed auctions as well those that are clearing just below the maximum fixed rates, it is necessary to request the Board to approve actions necessary to adjust the interest rate mode for certain bonds and add credit enhancers that are acceptable to investors, as well as approve actions necessary to adjust the structure of swap agreements which have been serving as hedges to the auction rate bonds.

Attached you will find bond resolutions which you are asked to approve regarding the following four bond issues and their related swaps, if any:

1) NJ Economic Development Authority, School Facilities Construction Bonds, 2005 Series Q1-Q8
2) NJ Economic Development Authority, School Facilities Construction Bonds, 2007 Series T1-T7
3) NJ Economic Development Authority, School Facilities Construction Bonds, 2004 Series H1- H4
4) NJ Economic Development Authority, Business Employment Incentive Program, 2004 Series A & B

The Board is being asked to approve several actions and delegation of actions to an Authorized Officer to permit the restructuring of the bonds and the related swaps for the 2005 series Q1-Q8, 2007 Series T1-T7 and 2004 Series H1-H4 bonds including, but not limited to:

- Interest rate mode conversion or refunding of each of the subseries of bonds to variable rate demand obligations, fixed rate bonds or put bonds. The maximum true interest cost on fixed rate bonds is 6%, the maximum rate on variable interest rate bonds is a defined under "Maximum Rate" under the existing documentation, the final maturities will be no later than the existing final maturities of these bonds, the maximum placement agent's fee on a remarketing is $3.00 per $1,000 of bonds remarketed as variable rate bonds and $6.00 per $1,000 of bonds remarketed as fixed rate bonds, and the maximum underwriter's discount is $6.00 per $1,000 on refunding bonds issued.

- Addition of a letter of credit or a standby bond purchase agreement or other credit enhancement to some or all sub-series, in order to provide liquidity for the periodic optional and mandatory tenders for each sub-series. Each liquidity provider must have a long-term rating or short term rating by any two of the Rating Agencies of Aa3/VMIG-1, AA-/A-1 and AA-/F-1. The interest rate on bonds purchased by the Standby Purchaser shall not exceed the Maximum Rate; the term can not exceed seven (7) years; and the term-out period for the Authority to repay amounts payable under the liquidity facility can not be less than three (3) years.

- Removal and cancellation of previously purchased credit enhancements
- Appointment of appropriate professionals to assist in the execution of the restructuring strategy including but not limited to remarketing agents, financial advisor, bond counsel, trustee and in the case of a refunding, underwriters.

The Board is also being asked to approve several actions and delegation of actions to an Authorized Officer to permit amendments to the swaps related to each of the bond issues, or the entering into new swaps, to assist in restructuring the cash flows under the existing swaps, including but not limited to:

- amendments to offset the cash flows under the swaps for a period of time
- restructuring to manage the volatility in the existing swaps during periods when bonds are paying interest at a different frequency
- sale of a cancellation option to a counterparty, the proceeds of which would be deposited into bond accounts under the resolution and would be used to pay for the costs of the conversion of bonds to variable rate demand obligations or other interest rate modes.

The notional amounts of the renegotiated or new swaps may not exceed the notional amounts of the existing swaps, final maturity date of the renegotiated or new swaps may not be later than the final maturity date of the applicable bonds, and any renegotiated fixed rate payable by the Authority shall not exceed 6.00%. The minimum ratings on any new swap provider is Aa3/AA- from any two rating agencies.

As a result of daily changes in market conditions, the course of action chosen to restructure the bonds and swaps may be different for separate sub-series of the same bond issue, i.e. some sub-series of the 2005 Series Q bonds may be refunded and remarketed as Variable Rate Demand Notes, secured by a letter of credit, while other sub-series may be remarketed as 3 year put bonds.

The Board is also requested to approve several actions and delegation of actions to an Authorized Officer to permit the restructuring of the bonds and the swaps related to the 2004 BEIP Series A and B, including but not limited to:

- Interest rate mode conversion or refunding of each of the series of bonds to variable rate demand obligations, fixed rate bonds or put bonds
- Addition of a letter of credit or a standby bond purchase agreement or other credit enhancement, in order to provide liquidity for the periodic optional and mandatory tenders for each sub-series.
- Removal and cancellation of previously purchased credit enhancements
- Appointment of appropriate professionals to assist in the execution of the restructuring strategy including but not limited to remarketing agents, financial advisor, bond counsel, trustee and in the case of a refunding, underwriters.

The true interest cost on the bonds converted to a fixed rate shall not exceed 6%, and the Remarketing Agent's fees shall not exceed $6.50 per $1,000 of the bonds so converted. If the bonds are converted to a weekly variable rate or another variable rate interest mode, the initial interest rate shall not exceed 6% and the Remarketing Agent's fees shall not exceed $3.00 per $1,000 of the bonds so converted.

The final maturity of any refunding bonds shall be not later than 20 years from the date of issuance, the true interest cost shall not exceed 6.0%, the redemption price for any 2008 Series A Bond shall not exceed one 103% and the underwriters' discount or shall not exceed $6.50 per $1,000 of the bonds so converted. In addition, the aggregate purchase price to be paid to the Authority by the underwriters for the purchase of the refunding bonds shall not be less than 97% of the aggregate principal amount of the bonds.

The interest rate on converted bonds purchased by the Liquidity Facility Issuer shall not exceed 18%, the term of the Liquidity Facility shall not extend beyond the final maturity date of the applicable bonds, and the term-out period for the Authority to repay any amounts drawn under the Liquidity Facility to purchase bonds shall not be less than three years. Each liquidity provider must have a long-term rating or short term rating by any two of the Rating Agencies of Aa3/VMIG-1, AA-/A-1 and AA-/F-1.

The interest rate on converted bonds purchased by the Credit Facility Issuer shall not exceed 18%, the term of the Credit Facility shall not extend beyond the final maturity date of the applicable bonds, and the term-out period for the Authority to repay any amounts drawn under the Credit Facility to purchase bonds shall not be less than three years. Each liquidity provider must have a long-term rating or short term rating by any two of the Rating Agencies of Aa3/VMIG-1, AA-/A-1 and AA-/F-1.

The notional amount of each swap agreement shall not exceed $43,665,000, the maximum term of each swap agreement shall not extend beyond November 1, 2014, and the maximum fixed rate of interest to be paid by the Authority, in the circumstance where the Authority is the fixed rate payer, under each swap agreement shall not exceed six percent (6.0%) per annum. If the Authority will be paying a floating rate to the counterparty under any such swap agreement, the interest rate or index upon which such floating rate is based will be the interest rate or index which an Authorized Officer shall determine, in consultation with the Treasurer, to be the most advantageous to the Authority and the State.

In exercising their discretion to approve specific transactions authorized under the resolutions, it is anticipated that the Authorized Officers of the Authority will make their decisions in consultation with the Treasurer and will select the options make the most financial sense for the State and its overall debt portfolio.

There are additional series of bonds for which similar amendments are expected to be requested in the near future, including:

1) NJ Economic Development Authority, School Facilities Construction Bonds, 2004 Series J-1 to J-5
2) NJ Economic Development Authority, School Facilities Construction Bonds, 2005 Series M-1 to M-6
3) NJ Economic Development Authority, Transportation Project Sublease Revenue Bonds, (NJ Transit Light Rail Transit System Project), 2003 Series A and B

The series for which Board action is being requested today, Series Q, Series T, Series H and BEIP are those which we believe require the most immediate attention in order to mitigate the interest rate risks to the State of New Jersey. Your attention to this request is greatly appreciated. We are available to answer your questions on this matter at any time.

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
PROJECT SUMMARY - BUSINESS EMPLOYMENT INCENTIVE PROGRAM

APPLICANT: Abbott Point of Care Inc. and Abbott Diabetes Care Sales P21074

PROJECT LOCATION: TBD Locations Unknown (N) Unknown County

GOVERNOR'S INITIATIVES:

( ) NJ Urban Fund (X) Edison Innovation Fund ( ) Core ( ) Ready for Growth

APPLICANT BACKGROUND/ECONOMIC VIABILITY:

Abbott Point of Care Inc. and Abbott Diabetes Care Sales Corporation are wholly owned subsidiaries of Illinois based Abbott Laboratories Inc. (NYSE: ABT). Abbott Laboratories Inc., founded in 1888, is a global, broad-based health care company devoted to the discovery, development, manufacture and marketing of pharmaceuticals and medical products, including nutritionals, devices, heart stents and diagnostics with over $25 billion in annual sales. With more than 100 facilities worldwide, Abbott Laboratories Inc. and its subsidiaries employ 65,000 people and market their products in more than 130 countries. In 2004, Abbott Laboratories Inc. acquired East Windsor based i-STAT Corp. (later became Abbott Point of Care Inc.), which develops and markets a leading hand-held blood analyzer for bedside use. Abbott Diabetes Care Sales Corporation, headquartered in Alameda, California, develops and markets glucose monitoring systems. Technical customer support for the glucose monitoring systems is currently provided from East Windsor. The companies are economically viable and are considering consolidating and relocating their two East Windsor facilities (219 existing positions are due for relocation by December 2008) to a much larger single site with room for growth (87 additional positions are proposed for this expansion project at the new site).

MATERIAL FACTOR:

The companies are seeking a BEIP grant to support creating 87 additional jobs in New Jersey. The companies have represented that a favorable decision by the Authority to award the BEIP grant is a material factor in the Applicant's decision to expand and relocate (and to remain) in New Jersey rather than moving existing jobs to Illinois or Canada and expanding there. The companies are estimating the project costs to accommodate the expansion will be approximately $3.3 million. The Authority staff recommends the award of the proposed BEIP grant.

APPROVAL REQUEST:

PERCENTAGE: 45%
TERM: 7 years

The Members of the Authority are asked to approve the proposed BEIP grant and award percentage to encourage Abbott Point of Care Inc. and Abbott Diabetes Care to increase employment in New Jersey. The recommended award percentage is based on the company meeting the criteria as set forth on the attached Formula Evaluation and is contingent upon receipt by the Authority of evidence that the company has met said criteria to substantiate the recommended award percentage. If the criteria met by the company differs from that shown on the Formula Evaluation, the award percentage will be raised or lowered to reflect the award percentage that corresponds to the actual criteria that have been met.

TOTAL ESTIMATED GRANT AWARD OVER TERM OF GRANT: $ 685,262
(not to exceed an average of $50,000 per new employee over the term of the grant)

NJ EMPLOYMENT AT APPLICATION: 600

ELIGIBLE BEIP JOBS: **Year 1** 56 **Year 2** 31 **Base Years Total =** 87

ANTICIPATED AVERAGE WAGES: $79,000

ESTIMATED PROJECT COSTS: $3,310,000

ESTIMATED GROSS NEW STATE INCOME TAX - DURING 7 $1,522,805

ESTIMATED NET NEW STATE INCOME TAX - DURING 10.50 $1,598,945

PROJECT IS: (X) Expansion (X) Relocation East Windsor, NJ

CONSTRUCTION: (X) Yes ( ) No

PROJECT OWNERSHIP HEADQUARTERED IN: Illinois

APPLICANT OWNERSHIP:(X) Domestic ( ) Foreign

DEVELOPMENT OFFICER: P. Ceppi **APPROVAL OFFICER:** D. Sucsuz

Applicant : Abbott Point of Care Inc. and Abbott Diabetes Care | Project # : P21074

FORMULA EVALUATION

Criteria		Score
1. Location:	Locations Unknown	N/A
2. Job Creation	87	2
	Targeted : X Non-Targeted : ____	
3. Job at Risk:	219	2
4. Industry:	Medical device technology	2
	Designated : X Non-Designated : ____	
5. Leverage:	3 to 1 and up	2
6. Capital Investment:	$3,310,000	1
7. Average Wage:	$ 79,000	4
	TOTAL:	13

Bonus Increases (up to 80%):

Located in Planning Area 1 or 2 of the State's Development and Redevelopment Plan	20%	____
Located in Planning Area 1 or 2 of the State's Development and Redevelopment Plan AND creation of 500 or more jobs	30%	____
Located in a former Urban Coordinating Council or other distressed municipality as defined by Department of Community Affairs	20%	____
Located in a brownfield site (defined as the first occupants of the site after issuance of a new no-further action letter)	20%	____
Located in a center designated by the State Planning Commission, or in a municipality with an endorsed plan	15%	____
10% or more of the employees of the business receive a qualified transportation fringe of $ 30.00 or greater.	15%	____
Located in an area designated by the locality as an "area in need of redevelopment"	10%	____
Jobs-creating development is linked with housing production or renovation (market or affordable) utilizing at least 25% of total buildable area of the site	10%	____
Company is within 5 miles of and working cooperatively with a public or non-profit university on research and development	10%	____

Total Bonus Points: 0 %

Total Score :

Total Score per formula:	13 = 40 %
Construction/Renovation :	5 %
Bonus Increases :	0 %
Total Score (not to exceed 80 %):	45 %

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
PROJECT SUMMARY - BUSINESS EMPLOYMENT INCENTIVE PROGRAM

APPLICANT: Standard Chartered Bank, Inc. P21307

PROJECT LOCATION: 2 Gatway Center Newark City (T/UA) Essex County

GOVERNOR'S INITIATIVES:

(X) NJ Urban Fund ( ) Edison Innovation Fund ( ) Core ( ) Ready for Growth

APPLICANT BACKGROUND/ECONOMIC VIABILITY:

Standard Chartered Bank, Inc. (Standard) was formed over 150 years ago and today operates in many of the world's fastest-growing markets, with a global network of over 1,400 branches, employing over 65,000 people in 56 countries in the Asia Pacific Region, South Asia, Middle East, Africa, United Kingdom and the Americas. The bank services range from personal banking, and commercial banking services for small business to wholesale banking, headquartered in Singapore and London. In addition to providing the traditional wholesale banking services for corporate and institutional clients, Standard provides Islamic Banking, which includes Shariah compliant financial products that are based on Islamic values. In 2007, Standard acquired American Express International Bank. The applicant's major focus in the U.S. market is as one of the leading dollar clearing houses, providing money transfer, trade finance, accounting, structured lending and IT support. Standard derives over 90 percent of its profits from Asia, Africa and the Middle East. The applicant has conducted back office operations in New Jersey since 1996, with 10 employees in Jersey City. Standard is in good standing with the NJ Division of Banking & Insurance and is economically viable.

MATERIAL FACTOR:

Standard is seeking a BEIP grant to support and create 300 new jobs in Newark. It is anticipated 125 jobs will be relocated in the first year from New York City. Under consideration is moving to Utica, New York, with considerable incentives from the Empire State Development Corporation. Management is estimating project costs will be $13,200,000. A favorable decision by the Authority to award the BEIP grant is a material factor in the applicant's decision to expand in New Jersey.

APPROVAL REQUEST:

PERCENTAGE: 80%
TERM: 10 years

The Members of the Authority are asked to approve the proposed BEIP grant and award percentage to encourage Standard Chartered Bank, Inc. to increase employment in New Jersey. The recommended award percentage is based on the company meeting the criteria as set forth on the attached Formula Evaluation and is contingent upon receipt by the Authority of evidence that the company has met said criteria to substantiate the recommended award percentage. If the criteria met by the company differs from that shown on the Formula Evaluation, the award percentage will be raised or lowered to reflect the award percentage that corresponds to the actual criteria that have been met.

TOTAL ESTIMATED GRANT AWARD OVER TERM OF GRANT: $ 4,212,086
(not to exceed an average of $50,000 per new employee over the term of the grant)

NJ EMPLOYMENT AT APPLICATION: 10

ELIGIBLE BEIP JOBS: **Year 1** 125 **Year 2** 175 **Base Years Total =** 300

ANTICIPATED AVERAGE WAGES: $63,694

ESTIMATED PROJECT COSTS: $13,200,000

ESTIMATED GROSS NEW STATE INCOME TAX - DURING 10 $5,265,108

ESTIMATED NET NEW STATE INCOME TAX - DURING 15 $4,475,341

PROJECT IS: ( ) Expansion (X) Relocation New York NY

CONSTRUCTION: (X) Yes ( ) No

PROJECT OWNERSHIP HEADQUARTERED IN: New York

APPLICANT OWNERSHIP: ( ) Domestic (X) Foreign United Kingdom

DEVELOPMENT OFFICER: R. Gomez **APPROVAL OFFICER:** M. Krug

Applicant : Standard Chartered Bank, Inc. **Project # : P21307**

FORMULA EVALUATION

Criteria		**Score**
1. Location:	**Newark City**	**N/A**
2. Job Creation	**300**	**4**
Targeted : ______ Non-Targeted : __X__		
3. Job at Risk:	**0**	**0**
4. Industry:	**Financial services**	**2**
Designated : __X__ Non-Designated : ______		
5. Leverage:	**3 to 1 and up**	**2**
6. Capital Investment:	**$13,200,000**	**2**
7. Average Wage:	**$ 63,694**	**3**
	TOTAL:	**13**

Bonus Increases (up to 80%):

Located in Planning Area 1 or 2 of the State's Development and Redevelopment Plan	20%	20%
Located in Planning Area 1 or 2 of the State's Development and Redevelopment Plan AND creation of 500 or more jobs	30%	
Located in a former Urban Coordinating Council or other distressed municipality as defined by Department of Community Affairs	20%	20%
Located in a brownfield site (defined as the first occupants of the site after issuance of a new no-further action letter)	20%	
Located in a center designated by the State Planning Commission, or in a municipality with an endorsed plan	15%	
10% or more of the employees of the business receive a qualified transportation fringe of $ 30.00 or greater.	15%	
Located in an area designated by the locality as an "area in need of redevelopment"	10%	
Jobs-creating development is linked with housing production or renovation (market or affordable) utilizing at least 25% of total buildable area of the site	10%	
Company is within 5 miles of and working cooperatively with a public or non-profit university on research and development	10%	

Total Bonus Points: 40 %

Total Score :

Total Score per formula:	13 = 40 %
Construction/Renovation :	5 %
Bonus Increases :	40 %
Total Score (not to exceed 80 %):	80 %