



103 COLLEGE ROAD EAST • PRINCETON, NEW JERSEY 08540
PHONE 609-987-0880 • FAX 609-987-0850 • anderson@njefa.com

ROGER L. ANDERSON
Executive Director

June 24, 2008

VIA UNITED PARCEL SERVICE

Honorable Jon S. Corzine
Governor
State House
125 West State Street
P.O. Box 001
Trenton, New Jersey 08625

ATTN: Sonia Frontera, Assistant Counsel
Governor's Authorities Unit

Dear Governor Corzine:

Enclosed please find an original and one copy of the minutes of the meeting of the New Jersey Educational Facilities Authority held on Monday, June 23, 2008.

I have also enclosed an original and one copy of the executive session minutes of the May 28, 2008 and the June 23, 2008 meetings.

I hereby certify that it is a true and correct copy of the proceedings.

Sincerely,

Roger L. Anderson
Secretary

Enclosures



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ROGER L. ANDERSON
Executive Director

**MINUTES OF THE MEETING OF THE
NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
HELD AT 103 COLLEGE ROAD EAST, PRINCETON, NEW JERSEY
ON MONDAY, JUNE 23, 2008**

The meeting was called to order at 10:38 a.m. by Chair Altman. The New Jersey Educational Facilities Authority gave notice of the time, place and date of this meeting via fax on June 3, 2008, to The Star Ledger, The Times and the Secretary of State and by posting the notice at the offices of the Authority in Princeton, New Jersey. Pursuant to the New Jersey Open Public Meetings Act, a resolution must be passed by the New Jersey Educational Facilities Authority in order to hold a session from which the public is excluded.

AUTHORITY MEMBERS PRESENT:

Vivian Altman, Chair
Roger B. Jacobs, Esq.
Felice K. Vazquez, Esq.
Laurence M. Downes, Chair, Comm. on Higher Education (represented by Kevin Collins)
R. David Rousseau, State Treasurer (represented by Nancy Style)

AUTHORITY MEMBERS ABSENT:

None

STAFF PRESENT:

Roger L. Anderson, Executive Director
Barbara Cannon, Deputy Executive Director
Mary Jane Darby, Director of Project Management
Sheryl Stitt, Director of Communications
Katherine Newell, Esq., Senior Advisor
Marie Mueller, Controller
Kristen Middleton, Assistant Controller
Debra Paterson, Project Manager
Vito Galluccio, Project Manager
Gary Vencius, Senior Accountant
Nichole Doxey, Communications Specialist
Jennifer Zocali, Project/Communications Assistant
Denise Carroll, Administrative Assistant
Christine Hart, Intern
Sheila Toles, Exec. Assistant/Human Resources Specialist

ALSO PRESENT:

Anthony Inverso, Phoenix Advisors, LLC
Benjamin Wolfe, Merrill Lynch & Co.
Brian Burke, RBC Capital Markets
Charles Visconsi, Morgan Stanley
Craig Hrinkevich, A.G. Edwards & Sons, Inc./Wachovia
Daniel Froehlich, George K. Baum & Company
Daniel Kim, Citigroup Global Markets, Inc.
Dominick Setari, Ramirez & Company, Inc.
Eddie Chan, Loop Capital Markets
Erin Gore, Bank of America
Harper Watters, Merrill Lynch & Co.
Jonathan White, Siebert Brandford Shank & Co.
Julie Ellers, Powell Capital Markets, Inc.
Katherine Clupper, Public Financial Management, Inc.
Kavin Mistry, Esq., Deputy Attorney General
Kimberly White, Wachovia Bank, N.A.
Kirwan Elliott, Public Financial Management, Inc.
Mary DiMartino, J.P. Morgan Securities, Inc.
Nicholas Tripician, PNC Capital Markets
Noreen White, Acacia Financial Group, Inc.
Robert English, HRH Metro Northeast, LLC
Simon Burger, Office of Management and Budget
Timothy Egan, Citigroup Global Markets, Inc.
Thomas Mead, Ramirez & Company, Inc.

ITEMS OF DISCUSSION

1. Approval of the Minutes of the Meeting of May 28, 2008

The minutes of the meeting of May 28, 2008 were hand delivered to Governor Jon S. Corzine under the date of May 29, 2008. Mr. Jacobs moved that the minutes of the meeting be approved as presented; the motion was seconded by Mr. Collins and passed unanimously.

2. Report on Pending Projects

Ms. Darby, Director of Project Management, reported that there are several projects for which various colleges and universities have requested Authority financing. Ms. Darby briefly described the projects and reported that the projects are under review and at various stages of development.

A summary of the projects to be financed, together with estimated financing amounts and proposed sale dates, is appended as Exhibit I.

3. Market Update – Public Financial Management, Inc.

Ms. Clupper provided the members with a market update report that included commentary on current market conditions.

4. **Report on the Sale of NJEFA Variable Rate Revenue Refunding Bonds, College of Saint Elizabeth Issue, 2008 Series F, In the Amount of \$24,090,000**

Ms. Darby reported that on May 22, 2008, the Authority sold the 2008 Series F bonds on behalf of the College of Saint Elizabeth and described the various components of the transaction. The proceeds are being used for the current refunding of all of the Authority's outstanding 2000 Series C and 2006 Series K bonds; and certain costs of issuance.

The transaction was structured as a variable rate demand obligation (weekly mode), negotiated transaction with a letter of credit from RBS Citizens, N.A., ratings of Aa2/VMIG 1 from Moody's Investors Service and a final maturity of July 1, 2036. The issue successfully closed on May 29, 2008.

Mr. Wolfe of Merrill Lynch & Co., Underwriter, commented on the transaction.

A copy of the Bond Sale Summary for the issue is appended as Exhibit II.

5. **Approval of Resolution Authorizing an Amendment to the Lease and Agreement Relating to NJEFA Revenue Bonds, Rowan University Issue, Series 2001 C**

Mr. Anderson requested approval of the 3rd Amendment to the lease and agreement with Rowan University for the Series 2001 C bonds that were issued, *inter alia*, to finance the acquisition of land on which educational facilities are to be constructed. He reported that the 1st Amendment to the Series 2001 C Lease, in 2002, provided for the environmental remediation of certain parcels of the land. Rowan agreed, *inter alia*, to deposit deeds for each of the properties into escrow and to satisfy the conditions to, and cause the release of, such deeds from the escrow agreement within 36 months of the respective dates of acquisition. Rowan put the deeds into escrow, but needed more time for the remediation, so the 2nd Amendment to the Lease was approved in 2005 to provide an additional 36 months. Mr. Anderson advised that currently Rowan is requesting the 3rd Amendment for another 36 month extension and that it is necessary, once again, to amend the Series 2001 C Lease.

Mr. Jacobs moved the adoption of the following entitled resolution:

RESOLUTION OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
AUTHORIZING AMENDMENT NO. 3 TO THE LEASE AND AGREEMENT DATED
AS OF MARCH 15, 2001 BETWEEN THE AUTHORITY AND ROWAN UNIVERSITY
RELATING TO THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS, ROWAN UNIVERSITY ISSUE, SERIES 2001 C

The motion was seconded by Ms. Style and passed unanimously.

The adopted resolution is appended as Exhibit III.

6. **Resolution Approving Procurement of Insurance Coverage**

Ms. Mueller reported that, at the June 28, 2006 meeting, the Authority appointed Banc of America Corporate Insurance Agency as the Authority's insurance broker for a term of three years with an optional one-year renewal. Ms. Mueller advised that in November 2007, Banc of America was acquired by Hilb, Rogal & Hobbs Metro Northeast, LLC (HRH) insurance company. As the Authority's insurance broker, HRH recommended which insurance carriers

should be selected for the current annual renewal and the staff believes that it is in the Authority's best interest to accept the insurance broker's recommendation. Accordingly, staff recommended approval of the resolution authorizing procurement of insurance coverage for the period July 1, 2008 through June 30, 2009 with the insurance carriers listed on the attached term sheets.

Mr. English gave comments and described the insurance term sheets.

Ms. Style moved the adoption of the following entitled resolution:

**RESOLUTION OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
AUTHORIZING PROCUREMENT OF INSURANCE COVERAGE**

The motion was seconded by Mr. Collins and passed unanimously.

The term sheets and adopted resolution are appended as Exhibit IV.

7. Report on Operating and Construction Fund Statements

Ms. Mueller, Controller, reviewed the Results of Operations and Budget Variance Analysis and reported on the status of construction funds and related investments.

Ms. Style moved that the reports be accepted as presented; the motion was seconded by Mr. Collins and passed unanimously.

The reports are appended as Exhibit V.

8. Legislative Update

Ms. Stitt reported on two new bills that would affect the municipal bond market. The first bill, H.R. 6308, the Municipal Bond Fairness Act, would, among other things mandate that rating agencies use a single rating scale for all types of securities to which ratings are applied, thereby ending the current practice of using separate scales for corporate and municipal debt.

The second bill, H.R. 6333, the Municipal Bond Market Support Act, would raise the bank qualified limit from the current \$10 million limit to \$30 million, indexed to inflation and would apply the limit at the borrower level.

The proposed bills are appended as Exhibit VI.

9. Directors' Update

Ms. Darby reported on the termination of four swaps entered into for The Richard Stockton College of New Jersey. She reported that the Authority entered into two forward starting, fixed payer swaps in anticipation of the 2008 new money issuance and two other swaps in connection with the College's 2005 C bonds. The College has decided to do both the new money issuance and the restructuring of the 2005 C bonds as fixed rate bonds, making it necessary to terminate all four swaps. Ms. Darby reported that, starting in March of this year, the Authority had terminated all four swaps on three separate days and, with the market faring well, the College's net result was a positive \$200,000.

10. **Executive Session**

Ms. Style moved the adoption of a resolution of the Authority permitting an Executive Session for discussion of a legal matter; the motion was seconded by Ms. Vazquez and passed unanimously.

Mr. Collins moved that the public session be reconvened; the motion was seconded by Mr. Jacobs and passed unanimously.

Following Executive Session, Mr. Anderson reported that the Authority had received two arbitrage compliance exam letters from the Internal Revenue Service with respect to two of the Authority's private college clients. He advised that both examinations had been resolved with no changes.

11. **Next Meeting Date**

Chair Altman announced that the July 23, 2008 will be held at the Authority's office and reminded everyone of the last off-site meeting of the year at the College of Saint Elizabeth on September 24, 2008.

Mr. Jacobs moved that the meeting be adjourned at 11:26 a.m.; the motion was seconded by Mr. Collins and passed unanimously.

Respectfully submitted,



Roger L. Anderson
Secretary



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ROGER L. ANDERSON
Executive Director

MINUTES OF THE MAY 28, 2008 EXECUTIVE SESSION OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

Vivian Altman, Chair
Roger B. Jacobs, Esq. (via phone)
Felice Vazquez, Esq.
R. David Rousseau, State Treasurer (represented by Nancy Style)
Laurence M. Downes, Chair Commission on Higher Education (represented by Marguerite Beardsley)
Kavin Mistry, Esq., Deputy Attorney General
Roger Anderson, Executive Director
Barbara Cannon, Deputy Executive Director
Katherine Newell, Esq., Senior Advisor
Marie Mueller, Controller
Sheryl Stitt, Director of Communications
Debra Paterson, Project Manager
Sheila Toles, Exec. Assistant/HR Specialist

MEMBERS ABSENT:

None

Upon proper notice pursuant to the Open Public Meetings Act, and upon a vote of the Members, the Authority went into closed session for the purpose of discussing a legal matter.

Mr. Anderson reported that recently the Internal Revenue Service randomly issued approximately 200 arbitrage rebate letters and on May 1, 2008, the Authority received two of said letters: one for the 2002 issue on behalf of Stevens Institute of Technology and the other for the 2002 issue for Fairleigh Dickinson University. Mr. Anderson reported that the Authority sought outside counsel and retained the tax firm of Ballard Spahr. Ms. Newell reported that Authority staff is in the process of gathering the requested information and has contacted both institutions for certain information. Because of the quantity of information requested, Ms. Newell has requested and received extensions to both filing deadlines.

No formal action was taken in Executive Session.

Ms. Beardsley then moved that the public session be reconvened. The motion was seconded by Ms. Style and passed unanimously.

Respectfully submitted,

Roger L. Anderson
Secretary



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ROGER L. ANDERSON
Executive Director

MINUTES OF THE JUNE 23, 2008 EXECUTIVE SESSION OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

Vivian Altman, Chair
Roger B. Jacobs, Esq. (via phone)
Felice Vazquez, Esq. (via phone)
R. David Rousseau, State Treasurer (represented by Nancy Style)
Laurence M. Downes, Chair Comm. on Higher Education (represented by Kevin Collins) (via phone)
Kavin Mistry, Esq., Deputy Attorney General
Sonia Frontera, Esq., Governor's Authorities Unit
Roger Anderson, Executive Director
Barbara Cannon, Deputy Executive Director
Katherine Newell, Esq., Senior Advisor
Mary Jane Darby, Director of Project Management
Marie Mueller, Controller
Sheryl Stitt, Director of Communications
Sheila Toles, Exec. Assistant/HR Specialist

MEMBERS ABSENT:

None

Upon proper notice pursuant to the Open Public Meetings Act, and upon a vote of the Members, the Authority went into closed session for the purpose of discussing a legal matter.

Ms. Newell updated the Members on the recent arbitrage compliance requests that the Authority received from the Internal Revenue Service for Fairleigh Dickinson University and Stevens Institute of Technology. Ms. Newell advised that the Authority had submitted information to the IRS and, in response, had received "no change" letters from the IRS for both examinations and no requests for further information had been made.

The Members thanked Ms. Newell and Ms. Mueller for their work in responding to the two requests. Mr. Anderson advised that staff is considering seeking advice on its documentation policies in order to be prepared for any future IRS questions. Ms. Newell advised she is planning to meet with the Authority's clients to discuss the recent IRS exams.

No formal action was taken in Executive Session.

Mr. Collins then moved that the public session be reconvened. The motion was seconded by Mr. Jacobs and passed unanimously.

Respectfully submitted,

Roger L. Anderson
Secretary

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
REPORT ON PENDING PROJECTS**

June 23, 2008

<u>Institution</u>	<u>Project</u>	<u>Estimated Size of Issue</u>	<u>Estimated Pricing Date</u>
<u>Private Institutions</u>			
Institute for Defense Analyses	Debt Restructuring	\$15 Million	June 2008
Drew University	Financing of Certain Capital Improvements on the University's Campus	\$4 Million	June 2008
Saint Peter's College	Conversion to Tax-Exempt Bonds, Various Capital Improvements and Acquisition of Certain Property	\$8.8 Million	July 2008
Seton Hall University	Debt Restructuring	\$80 Million	3rd Q 2008
Princeton University	Acquisition, Construction, Renovation, Installation and Repair of Various Academic, Athletic, Residential and Administrative Facilities on the Main Campus and Forrestal Campus	\$250 Million	3rd Q 2008
<u>Public Institutions</u>			
The William Paterson University of New Jersey	Renovation and Expansion of the Science Building and Refunding of Certain Existing Indebtedness	\$90 Million	June 2008
The Richard Stockton College of New Jersey	Renovation and / or Construction of Campus Center and College Walk and Site and Roadway Improvements and Debt Restructuring	\$130 Million	July 2008
University of Medicine and Dentistry of New Jersey	Refinancing / Restructuring of Certain Existing Indebtedness	\$275 Million	3rd Q 2008
Kean University	Debt Restructuring	\$156 Million	3rd Q 2008

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
REPORT ON PENDING PROJECTS

June 23, 2008

Estimated Size
of Issue Estimated
Pricing Date

Project

Institution

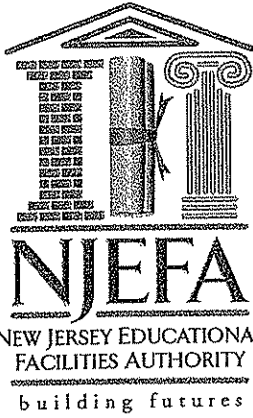
Programs

Tax-Exempt Leasing Program

Equipment Leasing for Public/Private Colleges/Universities in New Jersey

Varies

Varies



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BOND SALE SUMMARY

Borrower:	The College of Saint Elizabeth, Morristown, New Jersey
Issue:	2008 Series F
Amount:	\$24,090,000
Purpose:	To provide funds to finance: (i) the current refunding of all of the Authority's outstanding 2000 Series C and 2006 Series K Bonds issued on behalf of the College; and (ii) the payment of certain costs of issuance.
Structure:	Variable Rate Demand Obligation (Weekly Mode), Negotiated Sale
Final Maturity:	July 1, 2036
Initial Interest Rate:	1.60%
Credit Enhancement:	RBS Citizens, N.A. (Letter of Credit)
Bond Rating:	Aa2 / VMIG 1 - Moody's Investors Service
Sale Date:	May 22, 2008
Closing:	May 29, 2008

Professionals on the Transaction:

Bond Counsel:	McManimon & Scotland, LLC
Authority's Counsel:	Attorney General of New Jersey
Borrower's Counsel:	Boyar, Suozzo & Motyczka, P.A.
Financial Advisor:	Public Financial Management, Inc.
Underwriter:	Merrill Lynch & Co.
Underwriter's Counsel:	Cozen O'Connor
Trustee/ Escrow Agent:	US Bank, National Association
Trustee/ Escrow Agent's Counsel:	Drinker Biddle & Reath LLP
Letter of Credit Provider:	RBS Citizens, N.A.
LOC Provider's Counsel:	Akerman Senterfitt LLP
Remarketing Agent:	Merrill Lynch, Pierce Fenner & Smith, Inc.
Verification Agent:	Causey Demgen & Moore, Inc.

**RESOLUTION OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
AUTHORIZING AMENDMENT NO. 3 TO THE LEASE AND AGREEMENT DATED AS OF
MARCH 15, 2001 BETWEEN THE AUTHORITY AND ROWAN UNIVERSITY
RELATING TO THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS, ROWAN UNIVERSITY ISSUE, SERIES 2001 C**

WHEREAS, on April 10, 2001 pursuant to the General Revenue Bond Resolution duly adopted on October 10, 1968, as amended and supplemented (the "General Resolution") and a resolution designated "A Series Resolution Authorizing The Issuance Of Not To Exceed \$80,000,000 New Jersey Educational Facilities Authority Revenue Bonds, Rowan University Issue, Series 2001 C" (the "Series 2001 C Resolution" and together with the General Resolution, the "Resolution"), the New Jersey Educational Facilities Authority (the "Authority") issued \$60,930,000 aggregate principal amount of its Revenue Bonds, Rowan University Issue, Series 2001 C (the "Bonds"); and

WHEREAS, the Bonds are secured pursuant to the Resolution and the Lease and Agreement dated as of March 15, 2001 between The Board of Trustees of the Rowan University (the "Public College") and the Authority (the "Original Series 2001 C Agreement") as amended by Amendment No. 1 thereto dated as of June 17, 2002 ("Amendment No. 1") and by Amendment No. 2 thereto dated as of March 2, 2005 ("Amendment No. 2" and together with the Original Series 2001 C Agreement and Amendment No. 1, the "Series 2001 C Agreement"); and

WHEREAS, the Bonds were issued, *inter alia*, to finance the acquisition of land on which educational facilities are to be constructed (the "Series 2001 C Project Land"); and

WHEREAS, Amendment No.1 was entered into by the Authority and the Public College to provide for the environmental remediation of certain parcels of the Series 2001 C Project Land (collectively, the "Remediable Subject Properties" (consisting of the Zee, Reuter and Fischer properties)); and

WHEREAS, pursuant to Amendment No. 1, the Public College agreed, *inter alia*, to deposit deeds for each of the Remediable Subject Properties with The Bank of New York, as Escrow Agent pursuant to the Escrow Agreement dated as of June 17, 2002 by and among the Authority, the Public College and the Escrow Agent and to satisfy the conditions to and cause the release of such deeds from the Escrow Agreement within 36 months of the respective dates of acquisition of such Remediable Subject Properties; and

WHEREAS, the Public College caused the deeds of the Remediable Subject Properties to be deposited with the Escrow Agent, but requested additional time to effect the remediation and Amendment No. 2 was executed to provide an additional 36 months for the Public College to effect the remediation; and

WHEREAS, the Public College has again requested an additional extension of 36 months and the Authority has determined that it is necessary and appropriate to grant the extension; and

WHEREAS, in order to provide for such extension of time, it is necessary to amend the Series 2001 C Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY AS FOLLOWS:

Section 1. Authorization of Amendments. The Authority hereby approves Amendment No. 3 to the Series 2001 C Agreement substantially in the form attached hereto as Exhibit A ("Amendment No. 3").

Section 2. Authorization of Action by Officers. The Authority hereby authorizes the Chair, Vice Chair, Executive Director, Deputy Executive Director, Director of Project Management of the Authority, Secretary and any Assistant Secretary (each an "Authorized Officer") to: (a) execute and attest Amendment No. 3 and all other agreements, documents and instruments relating to such amendments in the forms approved by the Authorized Officer or Authorized Officers executing such amendments and other agreements, documents and instruments, such execution to be conclusive evidence of the approval thereof under the official corporate seal of the Authority, and (b) to take any and all such other actions as may be necessary or appropriate in connection with the execution and delivery of Amendment No. 3.

Section 3. Effective Date. This Resolution shall take effect in accordance with the provisions of N.J.S.A. 18A:72A-4(i).

AMENDMENT NO. 3
TO THE LEASE AND AGREEMENT DATED AS OF MARCH 15, 2001
BETWEEN THE
NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY, AS LESSOR
AND
THE BOARD OF TRUSTEES OF ROWAN UNIVERSITY, AS LESSEE

THIS AMENDMENT NO. 3 DATED AS OF _____, 2008 TO THE LEASE AND AGREEMENT (THE "AGREEMENT"), MADE AS OF MARCH 15, 2001, BY AND BETWEEN THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY (THE "AUTHORITY") AND THE BOARD OF TRUSTEES OF ROWAN UNIVERSITY (THE "PUBLIC COLLEGE") AS AMENDED BY AMENDMENT NO. 1 AND AMENDMENT NO. 2 THERETO RESPECTIVELY DATED AS OF JUNE 17, 2002 AND AS OF MARCH 1, 2005.

WITNESSETH

WHEREAS, on April 10, 2001 pursuant to the General Revenue Bond Resolution duly adopted on October 10, 1968, as amended and supplemented (the "General Resolution") and a resolution designated "A Series Resolution Authorizing The Issuance Of Not To Exceed \$80,000,000 New Jersey Educational Facilities Authority Revenue Bonds, Rowan University Issue, Series 2001 C" (the "Series 2001 C Resolution" and together with the General Resolution, the "Resolution"), the New Jersey Educational Facilities Authority (the "Authority") issued \$60,930,000 aggregate principal amount of its Revenue Bonds, Rowan University Issue, Series 2001 C (the "Bonds"); and

WHEREAS, the Bonds are secured pursuant to the Resolution and the Lease and Agreement dated as of March 15, 2001, as previously amended by Amendment No. 1 thereto dated as of June 17, 2002 and Amendment No. 2 thereto dated as of March 1, 2005 (collectively, the "Series 2001 C Agreement") between the Authority and the Board of Trustees of Rowan University ("Rowan"); and

WHEREAS, the Bonds were issued, *inter alia*, to finance the acquisition of land on which educational facilities are to be constructed (the "Series 2001 C Project Land"); and

WHEREAS, certain parcels of the Series 2001 C Project Land (collectively, the "Remediable Subject Properties") require environmental remediation; and

WHEREAS, in order to facilitate the acquisition of the Remediable Subject Properties, the Series 2001 C Agreement was amended by Amendment No. 1 thereto dated as of June 17, 2002 ("Amendment No. 1"); and

WHEREAS, pursuant to Amendment No. 1, the Public College agreed, *inter alia*, to deposit deeds for the Remediable Subject Properties with The Bank of New York, as Escrow Agent pursuant the Escrow Agreement dated as of June 17, 2002 by and among the Authority, the Public College and the Escrow Agent and to satisfy the conditions to and cause the release of such deeds from the Escrow Agreement within 36 months of the respective dates of acquisition of such properties; and

WHEREAS, the Public College deposited such deeds with the Escrow Agent and was granted an extension of time to effect the remediation and cause the release of such deeds from the Escrow Agreement through execution of Amendment No. 2; and

WHEREAS, the Public College has requested and the Authority has determined it is necessary and appropriate to grant, an extension of such time period.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Confirmation of Obligations.** The Public College hereby confirms all of its obligations under the Series 2001C Agreement.
2. **Definitions.** Capitalized terms used and not otherwise defined herein shall have the meaning ascribed thereto in the Series 2001 C Agreement.
3. **Extension of Time For Compliance With Certain Environmental Conditions.** Notwithstanding anything to the contrary in Section 2.01 of the Series 2001C Agreement, even if the Public College fails, with respect to any Remediable Subject Property, to provide the required No Further Action Letter to the Authority and to cause the release of the applicable Subject Property Deed from escrow within 36 months of the date on which the Public College acquires title to such Remediable Subject Property (the "Original Compliance Period") it shall not be an event of default under the Series 2001 C Agreement, if the Public College provides the required No Further Action Letter to the Authority and causes the release of the applicable Subject Property Deed from escrow within 72 months after the end of the Original Compliance Period with respect to that Remediable Subject Property.
4. **Counterparts.** This Amendment No. 3 may be executed in counterparts, each of which shall constitute an original and all of which together shall constitute but one document.

IN WITNESS WHEREOF, the New Jersey Educational Facilities Authority has caused these presents to be executed by its Chair or Vice Chair and Executive Director and its corporate seal affixed and the Board of Trustees of the Public College has caused these presents to be executed by the Chairman or Vice Chairman and by the Secretary of the Board of Trustees of the Public College and by the President or Vice President of the Public College and its corporate seal affixed, all as of the day and year first hereinabove set forth.

Signed, sealed and delivered
in the presence of

Name:
Title:

NEW JERSEY EDUCATIONAL
FACILITIES AUTHORITY

By: _____
Name: Roger L. Anderson
Title: Executive Director

Signed, Sealed and delivered
in the presence of:

Name:
Title:

BOARD OF TRUSTEES OF
ROWAN UNIVERSITY

By: _____
Name: Roger L. Anderson
Title: Executive Director

STATE OF NEW JERSEY)
) SS:
COUNTY OF)

BE IT REMEMBERED that on this ___ day of _____, 2008 before me the subscriber, a Notary Public of the State of New Jersey, personally appeared Mary Jane Darby, who being by me duly sworn according to law on her oath, says that she is an Assistant Secretary of NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY, the Authority named in the within instrument; that Vivian Altman is Chair and Roger L. Anderson is Executive Director of said Authority; that deponent well knows the corporate seal of said Authority; and the seal affixed to said instrument signed and delivered by said Chair and Executive Director, as and for her respective voluntary act and deed and as and for the voluntary act and deed of said Authority, in the presence of deponent, who thereupon subscribed her name thereto as witness.

Notary Public

____Mr. Jacobs__ moved that the foregoing resolution be adopted as introduced and read, which motion was seconded by ____ Ms. Style____ and upon roll call the following members voted:

AYE: Vivian Altman
Roger B. Jacobs
Felice Vazquez
Laurence M. Downes (represented by Kevin Collins)
R. David Rousseau (represented by Nancy Style)

NAY: None

ABSTAIN: None

ABSENT: None

The Chair thereupon declared said motion carried and said resolution adopted.

**RESOLUTION OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
AUTHORIZING PROCUREMENT OF INSURANCE COVERAGE**

- WHEREAS:** The New Jersey Educational Facilities Authority (the "Authority") was created pursuant to the New Jersey Educational Facilities Authority Law, P.L. 1967, c. 271, N.J.S.A. 18A:72A-1 et seq., as amended and supplemented (the "Act") and authorized to issue its obligations to provide a means for New Jersey public and private colleges and universities to obtain financing to construct educational facilities as defined in the Act; and
- WHEREAS:** The Authority is required in order to fulfill contractual obligations and in order to operate in a prudent business manner to carry property insurance, liability insurance, automobile insurance, workers compensation and directors and officers liability insurance; and
- WHEREAS:** At the meeting of June 28, 2006, the Authority appointed Banc of America Corporate Insurance Agency, LLC ("Banc of America") as the Authority's Insurance Broker for a term of three years from July 1, 2006 to June 30, 2009 with an optional one-year renewal; and
- WHEREAS:** Banc of America was acquired by Hilb, Rogal & Hobbs Insurance Company on November 1, 2007, and accordingly, has succeeded Banc of America as the Authority's Insurance Broker; and
- WHEREAS:** The Authority's Insurance Broker has recommended which insurance carriers should be selected for the current annual renewal, and these are set forth on the term sheets attached hereto (the "Term Sheets"); and
- WHEREAS:** The Authority has determined that it is in the Authority's best interest to accept the Insurance Broker's recommendation as to the insurance carriers as set forth on the Term Sheets.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY THAT:

- SECTION 1.** The Authority hereby authorizes procurement of insurance coverage for the period July 1, 2008 through June 30, 2009 with the insurance carriers, for the respective types of insurance coverage and on the terms and conditions set forth on the Term Sheets.
- SECTION 2.** The Authority hereby authorizes the Executive Director, the Deputy Executive Director or the Controller to take and do any and all acts and things as may be necessary or desirable in connection with implementation of this Resolution.
- SECTION 3.** This Resolution shall take effect in accordance with the Act.



NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

RENEWAL TERM SHEET – GENERAL INSURANCE

For the Period 7/1/08 to 7/1/09

COVERAGE:

General Liability:	\$ 1,000,000 per Occurrence, no retention
1 st Umbrella Liability:	\$10,000,000 per Occurrence
2 nd Umbrella Liability:	\$15,000,000 per Occurrence
E.F.A. Property:	\$ 400,000 - \$5,000 Deductible
Property Legal Liability:	\$ 500,000
Automobile:	\$1,000,000 per accident - \$1,000 Deductible
Workers Compensation:	NJ Statutory Limits (\$1,000,000 per accident)

	<u>Expiring Policies</u>	<u>Proposed Renewal</u>
Term:	7/1/07 – 7/1/08	7/1/08 – 7/1/09
Carrier:	Zurich/Fireman's Fund	Zurich/Fireman's Fund
Ratings:		
A.M.Best	A XV, A XV	A XV, A XV
Premiums:	\$ 115,845	\$110,015
PLIGA:	\$ 1,906	\$ 1,685
Marketing Effort and Responses:		

<u>Firm</u>	<u>Response</u>
Zurich	Provided cover quote of \$90,348
Fireman's Fund	Provided cover quote on 2 nd Umbrella of \$21,352
St. Paul/Travelers	Provided quote on 2 nd Umbrella \$21,356
CNA	Declined Class
Great American	Declined Class
Chubb	Declined Class
Selective	Declined Class

<u>Premiums</u>	<u>2007-08</u>	<u>2008-09</u>
Automobile	\$ 4,809	\$ 4,636
General Liability	\$ 64,943	\$ 66,375
Property	Included	Included
1 st Umbrella	\$ 16,935	\$ 13,332
2 nd Umbrella	\$ 24,938	\$ 21,016
Workers Compensation	\$ 4,220	\$ 4,656
PLIGA	\$ 1,906	\$ 1,685
	<u>\$ 117,751</u>	<u>\$ 111,700</u>

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY****RENEWAL TERM SHEET – DIRECTORS & OFFICERS****For the Period 7/1/08 to 7/1/09****COVERAGE:**

Limit: \$7,000,000 per Occurrence and Aggregate

Retention: Zero Non-indemnifiable Loss
\$50,000 with Authority Reimbursement

	<u>Expiring Policies</u>	<u>Proposed Renewal</u>
Term:	7/1/07 – 7/1/08	7/1/08 - 7/1/09
Carrier:	RSUI	RSUI
Ratings:		
A.M.Best	A XI	A XI
Premiums:	\$42,250	\$35,000
PLIGA/Tax	\$ 739	\$ 560

Marketing Effort and Responses:

<u>Firm</u>	<u>Response</u>
RSUI	Provided Renewal Quote of \$35,560
AIG	Awaiting Response
Chubb	Cannot be competitive on pricing
E-Risk	Declined due to the nature of services
Great American	Quoted \$7,000,000 with a \$25,000 retention for \$36,923 or a \$50,000 retention for \$33,307. No Third Party EPL coverage; Antitrust Exclusion
Monitor	Declined due to the nature of services
RLI	Awaiting Response
St. Paul/Travelers	Declined, cannot be competitive
Tysers (Beazley)	Awaiting Response

NOTE: Premium decrease due to reduction in market pricing for coverage and no claims.

____Ms. Style____ moved that the foregoing resolution be adopted as introduced and read, which motion was seconded by ____ Mr. Collins____ and upon roll call the following members voted:

AYE: Vivian Altman
Roger B. Jacobs
Felice Vazquez
Laurence M. Downes (represented by Kevin Collins)
R. David Rousseau (represented by Nancy Style)

NAY: None

ABSTAIN: None

ABSENT: None

The Chair thereupon declared said motion carried and said resolution adopted.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
2008 BUDGET VARIANCE ANALYSIS
FOR FIVE MONTHS ENDED MAY 31, 2008**

Executive Summary

The NJEFA concluded the first five months of 2008 with net operating income in the amount of \$253,964, based on revenues of \$1,523,592 and expenses of \$1,269,628. As a result, net operating income is higher than budgeted by \$33,433. This difference is a result of less than anticipated expenses in the amount of \$77,897 partially offset by less than expected revenues in the amount of \$44,464.

Revenues

Revenues were \$44,464 below projected amounts for the first five months of the year primarily due to less than anticipated initial fee income.

Expenses

Operating expenditures for the first five months of the year were favorable as compared to budget by \$77,897. Attorney General Fees were \$31,610 less than budgeted because actual billings were less than those anticipated in the Legal Services Cost Projection Agreement. Most of the remaining line items display favorable deviations and are primarily the result of timing.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
ACTUAL vs. BUDGET REPORT
MAY 2008

	Month Ended May 31, 2008			Five Months Ended May 31, 2008		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<u>Operating Revenues</u>						
Annual Administrative Fees	\$275,520	\$275,520	\$ -	\$ 1,377,600	\$ 1,377,600	\$ -
Initial Fees	-	65,000	(65,000)	21,530	65,000	(43,470)
Investment Income	5,298	16,364	(11,066)	124,462	125,456	(994)
	<u>\$ 280,818</u>	<u>\$ 356,884</u>	<u>\$ (76,066)</u>	<u>\$ 1,523,592</u>	<u>\$ 1,568,056</u>	<u>\$ (44,464)</u>
<u>Operating Expenses</u>						
Salaries	\$153,970	\$155,316	\$ 1,346	\$ 607,666	\$ 612,412	\$ 4,746
Employee Benefits	29,856	30,648	792	215,415	214,806	(609)
Office of The Governor	2,333	2,333	-	11,665	11,665	-
Office of The Attorney General	10,000	16,322	6,322	50,000	81,610	31,610
Sponsored Programs	-	3,125	3,125	-	3,125	3,125
Telephone	2,194	2,391	197	8,707	10,264	1,557
Gasoline & Auto Maintenance	953	1,045	92	2,904	4,680	1,776
Rent	24,098	26,408	2,310	122,557	125,140	2,583
Utilities	1,687	1,687	-	8,434	8,435	1
Postage	537	541	4	2,398	2,705	307
Office Supplies & Expenses	3,139	3,819	680	14,116	17,276	3,160
Travel & Official Receptions	1,779	3,136	1,357	6,837	14,044	7,207
Staff Training & Tuition Reimbursement	2,277	2,409	132	6,619	10,136	3,517
Insurance	4,460	4,460	-	22,300	22,300	-
Annual Report & Newsletters	-	4,125	4,125	4,500	8,875	4,375
Public Relations	-	500	500	-	1,500	1,500
Electronic Communication Program	595	1,818	1,223	595	7,272	6,677
Professional Services	186	-	(186)	115,014	112,800	(2,214)
Dues & Subscriptions	6,601	4,100	(2,501)	28,633	29,250	617
Maintenance of Equipment	456	3,800	3,344	6,203	13,400	7,197
Depreciation	7,000	7,166	166	35,065	35,830	765
Contingency	-	-	-	-	-	-
	<u>252,121</u>	<u>275,149</u>	<u>23,028</u>	<u>1,269,628</u>	<u>1,347,525</u>	<u>77,897</u>
Net Operating Income	<u>\$ 28,697</u>	<u>\$ 81,735</u>	<u>\$ (53,038)</u>	<u>\$ 253,964</u>	<u>\$ 220,531</u>	<u>\$ 33,433</u>

New Jersey Educational Facilities Authority
 Summary of Construction Funds
 As of May 31, 2008

<u>Institution</u>	<u>Issue</u>	<u>Description</u>	<u>Bond Proceeds</u>	<u>Net Disbursed</u>	<u>Balance</u>	<u>% Complete</u>
Private						
Stevens Institute of Technology	2004 Series B	Student Residence Conversion	\$ 12,281,959.45	\$ (10,707,665.96)	\$ 1,574,293.49	87%
Institute for Advanced Study	2006 Series C	Biology Bldg. & Renovations	19,939,000.00	(11,370,946.70)	8,568,053.30	57%
Princeton University	2006 Series D	Renovations/Capital Equipment	75,000,000.00	(65,131,126.59)	9,868,873.41	87%
Rider University	2007 Series C	Student Housing, Parking & Improv.	21,013,907.29	(4,948,310.18)	16,065,597.11	24%
Drew University	2007 Series D	Student Housing & Renovations	25,314,969.30	(2,312,466.48)	23,002,502.82	9%
* Georgian Court University	2007 Series D	Wellness Center, Bookstore	11,327,709.22	(11,097,225.63)	230,483.59	98%
Princeton University	2007 Series E	Construction & Major Maintenance	329,363,288.30	(147,177,008.57)	182,186,279.73	45%
College of Saint Elizabeth	2008 Series F	2006 Perf. Arts Center, Renovations	1,111,345.11	(273,091.90)	838,253.21	25%
Sub Total			\$ 495,352,178.67	\$ (253,017,842.01)	\$ 242,334,336.66	
Public						
Rowan University	Series 2004 C	Academic Building, Various Projects	57,850,090.45	(51,811,807.29)	6,038,283.16	90%
Kean University	Series 2005 B	Various Projects & Renovations	91,383,145.08	(23,331,454.57)	68,051,690.51	26%
Ramapo College of New Jersey	Series 2006 D	Science Bldg., Parking & Renov.	48,962,668.44	(44,736,759.75)	4,225,908.69	91%
Montclair State University	Series 2006 A	Rec. Center, Parking & Renovations	99,691,116.44	(22,469,936.86)	77,221,179.58	23%
Richard Stockton College of New Jersey	Series 2006 F	Housing V, Various Projects	50,675,855.72	(27,124,163.37)	23,551,692.35	54%
Rowan University	Series 2006 G	Various Renovations	46,527,357.07	(16,788,839.50)	29,738,517.57	36%
Rowan University	Series 2006 H	Property Acquisition, Renovations	19,797,386.13	(1,801,043.12)	17,996,343.01	9%
Kean University	Series 2007 D	2 Residence Halls, Dining, Parking	124,287,050.02	(4,232,012.31)	120,055,037.71	3%
Richard Stockton College of New Jersey	Series 2007 G	Housing V, Various Upgrades & Renov	40,242,421.65	(6,097,010.50)	34,145,411.15	15%
The College of New Jersey	Series 2008 D	1999 A and 2002 D Projects	54,933,452.51	(500,857.21)	54,432,595.30	1%
Sub Total			\$ 634,350,543.51	\$ (198,893,884.48)	\$ 435,456,659.03	
Other Programs						
Public Library Grant Program	Series 2002 A	Library Grants	\$ 45,380,714.58	\$ (44,878,091.48)	\$ 502,623.10	99%
Capital Improvement Fund	Series 2002 A	Capital Improvements	195,287,675.00	(191,509,543.74)	3,778,131.26	98%
Sub Total			\$ 240,668,389.58	\$ (236,387,635.22)	\$ 4,280,754.36	
Grand Total			\$1,370,371,111.76	\$ (688,299,361.71)	\$ 682,071,750.05	

* This issue has reached a completion rate of 95% and will no longer appear on future reports.

Frank Package

Congressman Barney Frank, Chairman

For Immediate Release:
June 20, 2008

Contact: Steve Adamske (202) 225-7141
or Heather Wong (202) 226-3314

FRANK AND NEAL INTRODUCE LEGISLATION TO PROVIDE EQUAL TREATMENT FOR MUNICIPAL BONDS

Washington, DC—House Financial Services Committee Chairman Barney Frank and House Ways and Means Subcommittee Chairman Richard E. Neal today introduced two new legislative initiatives to provide equal treatment for municipal bonds. The first bill, H.R. 6308 the Municipal Bond Fairness Act, will eliminate the ability of the rating agencies to use separate standards for municipal bonds and other bonds. The practice of using a separate scale that the industry has employed for many years has in many cases caused high quality general obligation bonds to be rated lower than comparable corporate bonds. This legislation would eliminate that unfair situation by requiring those credit rating agencies that choose to seek designation as a nationally recognized statistical rating organization (NRSRO) to use rating symbols consistently for every security to which they are assigned.

A companion bill, the Municipal Bond Market Support Act, would increase demand for certain municipal bonds—and therefore lower borrowing costs for issuers—by raising the bank qualified limit for small issuers to \$30 million (from \$10 million), which has been unchanged since 1986. The new limit would also be indexed to inflation. Bank qualified bonds are those bonds banks are eligible to purchase without disallowing a portion of their interest expense deduction.

The legislation would also encourage financial institutions to purchase other municipal bonds by allowing them to hold up to 2 percent of their total assets in tax-exempt securities without disallowing a proportional amount of their interest expense deduction. Non-financial companies already benefit from this safe harbor.

“As a former mayor of Springfield, Massachusetts, I know first hand how important municipal bonds are to our nation’s cities. They are critical when it comes to the maintenance and development of the local infrastructure. Exploring ways to ease their issuance is a good idea,” said Congressman Richard E. Neal.

“One of the most damaging and unfair aspects of the financial crisis is the negative effect it is having on our inability to deal with our infrastructure problems. Specifically, it is an outrage that mistakes and indiscretions in the private financial sector have contributed to an increase in the interest rates that state and local governments have to pay for important projects. Full faith in credit general obligation municipal bonds are not getting the credit they deserve in the market place for the degree of security they offer the investor,” said Chairman Frank.

Municipal Bond Fairness Act

The bill would also make it a requirement of NRSRO status that ratings on securities and money market instruments reflect the risk the investors will not be repaid according to the terms of the securities. This would not apply to complementary ratings, or those created to measure discrete aspects of a security's risk. In addition, the legislation requires the SEC to create a standard of performance measurement and use the results to help guide the Commission's decision on when to initiate and examination of an NRSRO.

The bill also addresses municipal bond insurers by directing the Secretary of the Treasury to collect information on the financial stability of that industry and provide a regular report to Congress on its findings. Specifically, the bill will do the following:

Title I:

- Defines credit ratings issued by NRSROs and applied to securities and money market instruments as reflecting the risk an investor will not be repaid.
- Complementary ratings such as those under development to measure volatility or other aspects of risk are not affected.
- Requires NRSROs to apply rating symbols consistently for all securities to which they are applied.
- Requires the SEC to create a system to measure NRSRO accuracy and consider the results when deciding whether to conduct examinations.

Title II:

- Directs the Treasury Secretary to collect information on the municipal bond insurance industry related to firms': Financial soundness, concentration of risk, risk management, performance under stress scenarios and underwriting standards.
- Treasury would make a report to Congress annually.

Municipal Bond Market Support Act :

This bill would increase demand for municipal bonds by:

- Changing the definition of small issuer in the Internal Revenue Code from one that issues no more than \$10 million in tax-exempt bonds annually to one that issues no more than \$30 million. Banks can hold such bonds without disallowing a proportional amount of interest expense deduction.
- Provide a safe harbor for financial firms to hold up to 2 percent of total assets in tax-exempt municipal bonds without being required to disallow a portion of their interest expense deduction.

(Original Signature of Member)

110TH CONGRESS
2^D SESSION

H. R. 6308

To to ensure uniform and accurate credit rating of municipal bonds and
provide for a review of the municipal bond insurance industry.

IN THE HOUSE OF REPRESENTATIVES

Mr. FRANK of Massachusetts (for himself, Mr. CAPUANO, and Mr. KAN-
JORSKI) introduced the following bill; which was referred to the Com-
mittee on _____

A BILL

To to ensure uniform and accurate credit rating of municipal
bonds and provide for a review of the municipal bond
insurance industry.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Municipal Bond Fair-
5 ness Act".

1 **TITLE I—DISCRIMINATORY RAT-**
2 **INGS TREATMENT OF STATE**
3 **AND MUNICIPAL SECURITIES**

4 **SEC. 101. PRESERVATION OF AUTHORITY TO PREVENT DIS-**
5 **CRIMINATION.**

6 Section 15E(c) of the Securities Exchange Act of
7 1934 (15 U.S.C. 78o-7(c)) is amended—

8 (1) in paragraph (2), by striking “Notwith-
9 standing” and inserting “Subject to paragraph (3),
10 but notwithstanding”; and

11 (2) by adding at the end the following new
12 paragraphs:

13 “(3) RATINGS CLARITY AND CONSISTENCY.—

14 “(A) COMMISSION OBLIGATION.—Subject
15 to subparagraph (B), but notwithstanding any
16 other provision of this subsection, the Commis-
17 sion shall require each nationally recognized
18 statistical rating organization that is registered
19 under this section—

20 “(i) to establish and maintain credit
21 ratings with respect to securities and
22 money market instruments designed to as-
23 sess the risk that investors in securities
24 and money market instruments may not
25 receive payment in accordance with the

1 terms of issuance of such securities and in-
2 struments;

3 “(ii) to define clearly any rating sym-
4 bol used by that organization; and

5 “(iii) to apply such rating symbol in a
6 consistent manner for all types of securi-
7 ties and money market instruments to
8 which that symbol is assigned.

9 “(B) COMPLEMENTARY RATINGS.—The
10 Commission shall not impose any requirement
11 under subparagraph (A) that prevents nation-
12 ally recognized statistical rating organizations
13 from establishing ratings that are complemen-
14 tary to the ratings described in subparagraph
15 (A)(i) and that are created to measure a dis-
16 crete aspect of the security’s or instrument’s
17 risk.

18 “(4) REVIEW.—

19 “(A) PERFORMANCE MEASURES.—For
20 purposes of paragraph (1), the Commission
21 shall, by rule, establish performance measures
22 to be used to determine when to initiate a re-
23 view concerning whether a nationally recognized
24 statistical rating organization—

1 “(i) has issued ratings in material
2 contravention of the procedures described
3 in paragraph (1); or

4 “(ii) has failed to adhere to such or-
5 ganization’s stated procedures and meth-
6 odologies for issuing such ratings.

7 “(B) CONSIDERATION OF EVIDENCE.—The
8 rules required by subparagraph (A) shall re-
9 quire the consideration of evidence of perform-
10 ance of the organization’s ratings in each of the
11 categories described in clauses (i) through (v) of
12 section 3(a)(62)(B) during an appropriate in-
13 terval (as determined by the Commission), in-
14 cluding aggregate transition of ratings in dis-
15 crete asset classes.”

16 **TITLE II—REVIEW OF MUNIC-**
17 **IPAL BOND INSURANCE IN-**
18 **DUSTRY**

19 **SEC. 201. AUTHORITY OF SECRETARY .**

20 (a) COLLECTION AND USE OF INFORMATION.—Ex-
21 cept as provided in subsection (b), the Secretary of the
22 Treasury shall have the authority to receive, analyze, col-
23 lect, and disseminate information, data, and material, and
24 issue reports, regarding entities that insure or guarantee
25 the payment of any portion of the principal and interest

1 of any municipal obligation, including information, data,
2 and material regarding—

3 (1) financial safety and soundness of such enti-
4 ties;

5 (2) concentration of insurance liabilities of such
6 entities;

7 (3) performance of such entities under various
8 scenarios of macro- and micro-economic stress;

9 (4) underwriting standards for such entities;
10 and

11 (5) risk management of such entities.

12 (b) PROTECTION OF PRIVACY.—Any requirement
13 under Federal or State law to the extent otherwise appli-
14 cable, or any requirement pursuant to a written agreement
15 in effect between the Secretary and the National Associa-
16 tion of Insurance Commissioners or any member or affil-
17 iate of such Association, regarding the privacy or confiden-
18 tiality of any information, data, or material in the posses-
19 sion of the Secretary or such Association or any member
20 or affiliate of such Association, and any privilege arising
21 under Federal or State law (including the rules of any
22 Federal or State court) with respect to such information,
23 data, or material, shall continue to apply to such informa-
24 tion, data, or material after the information, data, or ma-
25 terial has, pursuant to subsection (a), been provided to

1 or otherwise collected or received by the Secretary or such
2 Association or any member or affiliate of such Association.

3 **SEC. 202. SOURCES OF INFORMATION.**

4 The Secretary may collect and receive information,
5 data, and material pursuant to section 201 from State in-
6 surance regulatory authorities, the National Association of
7 Insurance Commissioners, and any other sources the Sec-
8 retary determines are credible.

9 **SEC. 203. REPORTS TO CONGRESS.**

10 The Secretary shall submit a report annually to the
11 Committee on Financial Services of the House of Rep-
12 resentatives and the Committee on Banking, Housing, and
13 Urban Affairs of the Senate on the financial state of the
14 industry for insurance and guarantee of municipal bonds,
15 meaningful trends in such industry, and the potential im-
16 pacts on the overall financial system in the United States
17 that entities that providing such insurance and guarantees
18 could have under various scenarios of macro- and micro-
19 economic stress.

20 **SEC. 204. RETENTION OF EXISTING REGULATORY AUTHOR-**
21 **ITY.**

22 This title may not be construed to establish any su-
23 pervisory or regulatory authority of the Secretary over any
24 entity that insures or guarantees the payment of any por-

1 tion of the principal and interest of any municipal obliga-
2 tion.

3 **SEC. 205. DEFINITIONS.**

4 For purposes of this title, the following definitions
5 shall apply:

6 (1) **MUNICIPAL OBLIGATION.**—The term “mu-
7 nicipal obligation” means any bond, note, security,
8 or other debt obligation issued by any State, any po-
9 litical subdivision of a State, one or more political
10 subdivisions of a State, or a State and one or more
11 of its political subdivisions, or by any agency, de-
12 partment, office, authority, or other instrumentality
13 of a State, any political subdivision of a State, one
14 or more political subdivisions of a State, or a State
15 and one or more of its political subdivisions.

16 (2) **POLITICAL SUBDIVISION.**—The term “polit-
17 ical subdivision” includes any city, county, town,
18 township, parish, village, or other general purpose
19 political subdivision of a State and any school, util-
20 ity, fire, or tax district, or other special purpose po-
21 litical subdivision of a State.

22 (3) **SECRETARY.**—The term “Secretary” means
23 the Secretary of the Treasury.

24 (4) **STATE.**—The term “State” means the
25 States of the United State, the District of Columbia,

1 the Commonwealth of Puerto Rico, the Common-
2 wealth of the Northern Mariana Islands, Guam, the
3 Virgin Islands, American Samoa, and any other ter-
4 ritory or possession of the United States.

5 **SEC. 206. AUTHORIZATION OF APPROPRIATIONS.**

6 There are authorized to be appropriated to the Sec-
7 retary for carrying out this title such sums as may be nec-
8 essary for each fiscal year.

Sectoral Breakdown of Moody's-Rated Issuers and Defaulters: 1970-2000

Sector	Number of Issuers	Number of Defaults
General Obligation	14,775	0
Water and Sewer	1,894	0
Public Universities	251	0
Private Universities and Not-For-Profits	580	1
Electric Power	699	2
Not-for-Profit Health Care	1,381	10
Other	8,591	5

Source: Moody's Investors Service

.....
(Original Signature of Member)

110TH CONGRESS
2D SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to modify the limitations on the deduction of interest by financial institutions which hold tax-exempt bonds.

IN THE HOUSE OF REPRESENTATIVES

Mr. FRANK of Massachusetts (for himself and Mr. NEAL of Massachusetts) introduced the following bill; which was referred to the Committee on

A BILL

To amend the Internal Revenue Code of 1986 to modify the limitations on the deduction of interest by financial institutions which hold tax-exempt bonds.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Municipal Bond Mar-
5 ket Support Act of 2008".

1 SEC. 2. MODIFICATION OF SMALL ISSUER EXCEPTION TO
2 TAX-EXEMPT INTEREST EXPENSE ALLOCA-
3 TION RULES FOR FINANCIAL INSTITUTIONS.

4 (a) INCREASE IN LIMITATION.—Subparagraphs
5 (C)(i), (D)(i), and (D)(iii)(II) of section 265(b)(3) of the
6 Internal Revenue Code of 1986 are each amended by
7 striking “\$10,000,000” and inserting “\$30,000,000”.

8 (b) REPEAL OF AGGREGATION RULES APPLICABLE
9 TO SMALL ISSUER DETERMINATION.—Paragraph (3) of
10 section 265(b) of such Code is amended by striking sub-
11 paragraphs (E) and (F)..

12 (c) ELECTION TO APPLY LIMITATION AT BORROWER
13 LEVEL.—Paragraph (3) of section 265(b) of such Code,
14 as amended by subsection (b), is amended by adding at
15 the end the following new subparagraph:

16 “(E) ELECTION TO APPLY LIMITATION ON
17 AMOUNT OF OBLIGATIONS AT BORROWER
18 LEVEL.—

19 “(i) IN GENERAL.—An issuer, the
20 proceeds of the obligations of which are to
21 be used to make or finance eligible loans,
22 may elect to apply subparagraphs (C) and
23 (D) by treating each borrower as the issuer
24 of a separate issue.

25 “(ii) ELIGIBLE LOAN.—For purposes
26 of this subparagraph—

1 “(I) IN GENERAL.—The term ‘el-
2 igible loan’ means one or more loans
3 to a qualified borrower the proceeds of
4 which are used by the borrower and
5 the outstanding balance of which in
6 the aggregate does not exceed
7 \$30,000,000.

8 “(II) QUALIFIED BORROWER.—
9 The term ‘qualified borrower’ means a
10 borrower which is an organization de-
11 scribed in section 501(c)(3) and ex-
12 empt from taxation under section
13 501(a) or a State or political subdivi-
14 sion thereof.

15 “(iii) MANNER OF ELECTION.—The
16 election described in clause (i) may be
17 made by an issuer for any calendar year at
18 any time prior to its first issuance during
19 such year of obligations the proceeds of
20 which will be used to make or finance one
21 or more eligible loans.”.

22 (d) INFLATION ADJUSTMENT.—Paragraph (3) of sec-
23 tion 265(b) of such Code, as amended by subsections (b)
24 and (c), is amended by adding at the end the following
25 new subparagraph:

1 “(F) INFLATION ADJUSTMENT.—In the
2 case of any calendar year after 2009, the
3 \$30,000,000 amounts contained in subpara-
4 graphs (C)(i), (D)(i), (D)(iii)(II), and (E)(ii)(I)
5 shall each be increased by an amount equal
6 to—

7 “(i) such dollar amount, multiplied by
8 “(ii) the cost-of-living adjustment de-
9 termined under section 1(f)(3) for such
10 calendar year, determined by substituting
11 ‘calendar year 2008’ ‘for calendar year
12 1992’ in subparagraph (B) thereof.

13 Any increase determined under the preceding
14 sentence shall be rounded to the nearest mul-
15 tiple of \$100,000.”

16 (e) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to obligations issued after Decem-
18 ber 31, 2008.

19 **SEC. 3. DE MINIMIS SAFE HARBOR EXCEPTION FOR TAX-EX-**
20 **EMPT INTEREST EXPENSE OF FINANCIAL IN-**
21 **STITUTIONS.**

22 (a) IN GENERAL.—Subsection (b) of section 265 of
23 the Internal Revenue Code of 1986 is amended by adding
24 at the end the following new paragraph:

1 “(7) DE MINIMIS EXCEPTION.—Paragraph (1)
2 shall not apply to any financial institution if the por-
3 tion of the taxpayer’s holdings of tax-exempt securi-
4 ties is less than 2 percent of the taxpayer’s assets.”.
5 (b) EFFECTIVE DATE.—The amendment made by
6 this section shall apply to taxable years beginning after
7 the date of the enactment of this Act.