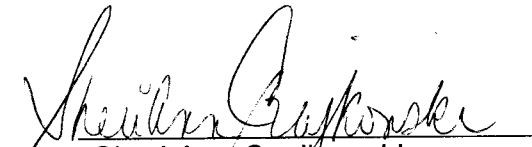


**CERTIFICATION
OF
NEW JERSEY TURNPIKE AUTHORITY**


I, Veronique Hakim, hereby certify that I am the Executive Director of the New Jersey Turnpike Authority and as such Executive Director certify that the attached copy of PROCEEDINGS OF THE NEW JERSEY TURNPIKE AUTHORITY is a true and correct copy of the Minutes of the **April 16, 2013** Regular Meeting of the Authority.

IN WITNESS THEREOF, I have hereunto set my hand and affixed the official seal of the New Jersey Turnpike Authority **this 16th day of April, 2013.**

ATTEST:



Sheri Ann Czajkowski
Assistant Secretary to the
Authority



Veronique Hakim,
Executive Director

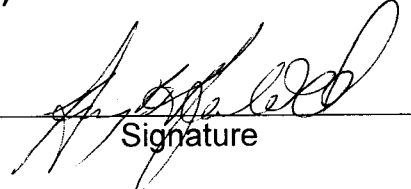
Corporate Seal

Date: April 16, 2013

**Received in the Governor's Office on April 16, 2013
(hand delivered)**

Received by: 

Print Name



Signature

Veto Period Ends: April 30, 2013
(Write in the date the veto period ends)

**PROCEEDINGS OF NEW JERSEY TURNPIKE AUTHORITY
SPECIAL BOARD MEETING**

Tuesday, April 16, 2013

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Vice Chairman Ron Gravino called the Authority into session in the Executive Boardroom of the Authority's Administration Offices, Woodbridge, New Jersey, at 9:30 A.M.

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PRESENT

Present were Vice Chairman Ronald Gravino, Treasurer Michael DuPont; Commissioner Harold Hodes; Commissioner Raymond Pocino, Commissioner Daniel Becht, and Commissioner Jan Walden. Commissioner Diaz was absent. The meeting commenced at 9:30 a.m.

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ALSO PRESENT

Executive Director Veronique Hakim; Chief Engineer Richard Raczynski; Chief of Staff Megan Mulcahy, Deputy General Counsel Maura Tully; Chief Financial Officer Donna Manuelli; Human Resources Director Mary-Elizabeth Garrity; Director of Internal Audit James Carone; Director of Maintenance Joseph Lentini; Director of Operations Sean Hill; Director of Procurement and Materials Management Andrea Ward; Chief Information Officer Barry Pelletteri; Electronic Toll Collection Director Dennis Switaj; and Assistant Secretary to the Authority Sheri Ann Czajkowski.

Also present were: Governors' Authorities Unit Representative Amy Herbold; additional individuals consisting of other NJTA employees; interested organizations and the general public.

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NOTICE OF MEETING

This is a special meeting of the New Jersey Turnpike Authority. Adequate notice of this meeting has been provided in accordance with Chapter 231, P.L. 1975 in that notice has been given to two newspapers and notice has been forwarded to the Secretary of State, Trenton, New Jersey. In addition, notice of said meeting has been and is being displayed in the main lobby of the Authority's Administration Headquarters in Woodbridge.

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RECUSALS

The Executive Director reported no recusals.

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PUBLIC COMMENT

There were no comments.

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COMMISSIONER'S COMMENTS

There were no comments.

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EXECUTIVE DIRECTOR'S COMMENTS

The Executive Director thanked the Commissioners for their participation in this Special Meeting which was called in order to advance two finance related items in an expedited manner.

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GENERAL BUSINESS

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FINANCE

CFO Donna Manuelli requested approval of item numbers 125-04-2013 and 126-03-2013.

CFO Manuelli stated that approval for the Interest Rate Swap Management Plan was being requested to bring the Authority in compliance with the Federal Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), which became law in July 2010. Dodd-Frank requires that the Authority have an Interest Rate Swap Management Plan in place by May 1, 2013. The plan sets forth written policies, procedures, and authorizations that the Authority will endeavor to follow when dealing with its current or future interest rate swap agreements. CFO Manuelli also requested approval to designate First Southwest Company, the Authority's current financial and swap advisor, as the Qualified Independent Representative as required by Dodd Frank. CFO Manuelli also requested to delegate to the Executive Director authorization to execute any and all documents necessary to comply with Dodd Frank. The Interest Rate Swap Management Plan's terms are consistent with the terms of the Authority's Financial Management Principles and Guidelines, which were adopted at the Authority's December 2012 Board Meeting.

CFO Manuelli also requested to delegate authority to the Executive Director to execute an assignment, also known as a novation, of the interest rate swap agreement with UBS Financial Services on the Series 2000B-G bonds in the amount of \$160 million. CFO Manuelli stated that UBS no longer wishes to be the swap counterparty for this transaction and is willing to offer a discount for the Authority to replace it as counterparty. The Authority has the potential to replace UBS with a higher rated counterparty, eliminate any swap insurance, and obtain a counterparty that will work with the Authority on future debt refundings. The Authority's swap advisor, First Southwest Company, will take proposals to replace UBS and the Authority will proceed only if the transaction can be completed in the best financial interests of the Authority.

Moved are the items as follows:

125-04-2013

In a memorandum dated, April 4, 2013, Authorization to Adopt the Interest Rate Swap

Management Plan, was approved.

At its December 19, 2012 meeting, the Authority's Board of Commissioners adopted Financial Management Principles and Guidelines. Among other things, the Financial Management Principles and Guidelines require the Authority to adopt an Interest Rate Swap Management Plan.

Staff, along with the Authority's Financial Advisor, prepared the attached Interest Rate Swap Management Plan (the "Plan"), which sets forth:

- how the Authority will execute interest rate swaps and related agreements; and
- security and payment provisions the Authority will employ as part of interest rate swap agreements between the Authority and qualified swap counterparties; and
- certain other provisions the Authority will use related to interest rate swaps.

In addition, the Plan includes all of the written policies, procedures, and authorizations required to comply with the Federal Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") signed into law in July 2010. Dodd-Frank Commodity Futures Trading Commission Business Conduct Standards become effective May 1, 2013 and affect all municipal issuers with interest rate swap agreements. Dodd-Frank applies to all interest rate swap transactions including new trades, amendments, assignment/novation and terminations, and defines interactions, disclosures and representations between issuers, their advisors and swap dealers.

As part of its Dodd-Frank compliance, the Authority must appoint a swap advisor that satisfies the Qualified Independent Representative ("QIR") criteria as enumerated in the Plan. First Southwest Company, in its role as the Authority's financial advisor, also serves as the Authority's swap advisor according to the scope of services included in its current contract with the Authority. First Southwest Company has represented to the Authority that it meets the criteria for the QIR. It is therefore recommended that First Southwest Company be appointed as the Authority's QIR under its current financial advisory contract with the Authority. In addition, approval is requested to delegate to the Executive Director the authorization to execute all documents and agreements required for Dodd-Frank compliance, including the International Swaps and Derivatives Association August 2012 Dodd-Frank Protocol, and related schedules and supplements, for each existing and any new interest rate swap dealer relationship.

Based upon the requirements set forth in the Authority's Financial Management Principles and Guidelines, and federal requirement to comply with Dodd-Frank, approval is requested to adopt the attached Interest Rate Swap Management Plan, appoint First Southwest Company as QIR, and delegate to the Executive Director authorization to execute any and all documents and agreements necessary to comply with Dodd-Frank.

NEW JERSEY TURNPIKE AUTHORITY
INTEREST RATE SWAP MANAGEMENT PLAN

March 2013

1. PURPOSE

This Interest Rate Swap Management Plan sets forth the manner of execution of interest rate swaps and related agreements, provides for security and payment provisions, and sets forth certain other provisions related to interest rate swap agreements between the New Jersey Turnpike Authority (“Authority”) and qualified swap counterparties. The Interest Rate Swap Management Plan also outlines procedures to be followed to insure compliance with all applicable federal and state laws. This Interest Rate Swap Management Plan will be reviewed by the Authority no less than once every two (2) years and any changes to this Interest Rate Swap Management Plan will be presented to the Authority’s Board of Commissioners for approval. This Interest Rate Swap Management Plan will be made available on the Authority’s website, <http://www.state.nj.us/turnpike>.

2. BEST INTERESTS OF THE AUTHORITY

Although adherence to this Interest Rate Swap Management Plan (“Plan”) is desirable, deviations from this Plan may be appropriate from time to time to address: (i) changing financial goals; (ii) emerging financial products/debt structures; and (iii) unique market opportunities. As a result, the general best interests of the Authority shall supersede any provision of this Swap Management Plan.

3. THE AUTHORITY

The Authority is a public body corporate and politic of the State Of New Jersey operated under and by virtue of the New Jersey Turnpike Authority Act of 1948, constituting Chapter 454 of the Laws of New Jersey of 1948, as amended and supplemented (the “Act”). Pursuant to Section 5 of the Act, and Section 201 of the General Bond Resolution, the Authority is authorized to enter into interest rate swap transactions as it deems fit in order to obtain lower costs of capital or other advantages associated with this financing technique. The Authority may only enter into a swap transaction in connection with a specifically identified series of Authority bonds issued under its senior lien General Bond Resolution.

4. INTEREST RATE SWAP MANAGEMENT GOALS

The Authority intends to execute interest rate swaps if the transaction can be expected to result in the following:

- A. Hedging to reduced exposure to changes in interest rates on a particular financial transaction;
- B. Reduction in interest rate risk in order to maintain from the Authority’s overall asset/liability balance;
- C. Obtain a lower net cost of borrowing with respect to the Authority’s debt;

D. Manage variable interest rate exposure consistent with prudent debt practices.

The Authority shall not enter into interest rate swaps for speculative purposes or not in connection with a specified bond issue.

5. PROCUREMENT OF INTEREST RATE SWAP AGREEMENTS

The Authority will competitively bid an interest rate swap transaction through its financial advisor and/or swap advisor. The Authority shall endeavor to diversify its exposure to counterparties. To that end, before entering into a transaction, the Authority will determine its exposure to the relevant counterparty or counterparties and determine how the proposed transaction would affect the exposure.

6. INTEREST RATE SWAP RISK FACTORS

The Authority recognizes that there are certain risks associated with interest rate swap transactions that it will consider prior to entering into each transaction. Such risks include:

- A. **Counterparty risk** is the risk that the swap counterparty will not fulfill its obligation to honor its obligations as specified under the contracts. Failure of counterparty could result in an unplanned change in the expected costs of funds of a particular transaction that could increase debt service costs to the Authority, depending upon the interest rate environment when this occurred.

In order to mitigate against this risk the Authority intends to diversify its counterparties and expects that going forward, no more than 25% of its interest rate swap exposure will be with any one counterparty. An exception will be made for fully collateralized swaps or if market conditions are such that it is not economically feasible to diversify or the interest rate swap market is such that no additional counterparties exist.

In order to diversify the Authority's counterparty risk, and to limit the Authority's credit exposure to any one counterparty, limits will be established by the Executive Director based in part upon the credit rating of the counterparty as well as the relative level of risk associated with each existing interest rate swap transaction.

The Authority shall be authorized to enter into interest swap transactions only with qualified swap counterparties rated at least A1/A+, or equivalent, by any two (2) of the nationally recognized rating agencies (e.g. Moody's, Standard and Poor's, or Fitch); or a "AAA" subsidiary as rated by at least one nationally recognized credit rating agency.

- B.) **Termination risk** is the risk that the interest rate swap could be terminated by the counterparty due to any of several events, which may include issuer or counterparty ratings downgrade, covenant violation by either party, bankruptcy of either party, swap payment default by either party, and default events as defined in the issuer's

bond indenture.

In order to mitigate against these risks the Authority will require collateral postings from counterparties if the counterparties ratings decline below A2/A and other protection measures. As a general rule, the Authority will not enter into swaps where the counterparty has any optional right of termination.

The Authority shall consider including in all interest rate swap transactions provisions granting the Authority the right to optionally terminate a swap agreement at any time over the term of the agreement. The Executive Director shall determine if it is financially advantageous for the Authority to terminate a swap agreement.

A termination payment to or from the Authority may be required in the event of termination of a interest rate swap agreement due to a default or a decrease in credit rating of either the Authority or the counterparty. It is the intent of the Authority not to make a termination payment to a counterparty that does not meet its contractual obligations. Prior to making any such termination payment, the Executive Director shall evaluate whether it is financially advantageous for the Authority to obtain a replacement counterparty to avoid making such termination payment.

As part of any interest rate swap agreement, the Authority may require collateralization or other credit enhancement to secure any or all swap payment obligations. As appropriate, the Authority may require collateral or other credit enhancement to be posted by each swap counterparty under the following circumstances:

- i. Each counterparty to the Authority may be required to post collateral if the credit rating of the counterparty or parent falls below the A2/A category. Additional collateral for further decreases in credit ratings of each counterparty shall be posted by each counterparty in accordance with the provisions contained in the collateral support agreement to each interest rate swap agreement with the Authority.
- ii. The Collateral shall consist of cash, U.S. Treasury securities and Federal agency securities.
- iii. Collateral shall be deposited with a third party trustee, or as mutually agreed upon between the Authority and each counterparty.
- iv. A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the swap agreement with each swap counterparty.
- v. The market value of the collateral shall be determined on at least a monthly

basis.

- vi. The Authority will determine reasonable threshold limits for the initial deposit and for increments of collateral posting thereafter.

The Executive Director shall determine on a case by case basis whether other forms of credit enhancement are more beneficial to the Authority

C.) **Basis risk** refers to a mismatch between the interest rate received from the interest rate swap contract and the interest actually owed on the Authority's variable rate bonds. Prior to the execution of any interest rate swap, the Authority will undertake any analysis of both the starting basis risk match and the historical basis risk match in order to select an index payment of the interest rate swap and a mode mechanic for the variable rate debt that most closely approximates a zero basis risk profile, while still maintaining the economic advantages of the interest rate swap.

D.) **Tax event risk.** All issuers who issue tax-exempt variable rate bonds that trade accept risk stemming from changes in marginal income tax rates. These risks are best mitigated by limiting the amount of variable rate debt as a percentage of the Authority's total debt outstanding. The Authority does not expect to issue more than 20% of its total debt in a variable rate mode of any form.

E.) **Rollover risk** is the risk that the swap contract is not coterminous with related bonds. The Executive Director shall determine the appropriate term for an interest rate swap agreement on a case-by-case basis. The slope of the interest rate swap curve, the marginal change in interest rate swap rates from year to year along the interest rate swap curve, and the impact that the term of the interest rate swap has on the overall exposure of the Authority shall be considered in determining the appropriate term of any interest rate swap agreement. In connection with the issuance or carrying of bonds, the term of the interest rate swap agreement between the Authority and a qualified interest rate swap counterparty shall not extend beyond the final maturity date of existing debt of the Authority, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds. The Authority does not intend to execute interest rate swaps that have rollover risk.

F.) **Amortization risk** represents the cost to the issuer of servicing debt or honoring interest rate swap payments due to a mismatch between bonds and the notional amount of the interest rate swap. The Authority intends to always match the principal amount of bonds with the notional amount of the interest rate swap.

G.) Liquidity risk refers to the issuer's inability to continue or renew a liquidity facility to assist in the sale of outstanding debt. The Authority will endeavor to provide sufficient liquidity available for swapped debt.

7. PAYMENT OBLIGATIONS

Pursuant to Section 201 of the General Bond Resolution, the Authority's payment obligation under any qualified interest rate swap shall be made from the Debt Service Fund.

8. LEGAL MATTERS

Each interest rate swap executed by the Authority shall contain terms and conditions as set forth in the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement, including any schedules and confirmations. The interest rate swap agreements between the Authority and each qualified swap counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions and provisions as the Executive Director or his/her designee deems necessary or desirable. The Executive Director is authorized to sign all representations and disclosures as required.

9. REGULATORY COMPLIANCE

Following is a list of regulatory requirements imposed at the Federal level with which the Authority shall make every reasonable effort to comply:

A.) Dodd-Frank Compliance. Pursuant to the authority of Section 731 of Title VII of Dodd-Frank Act, which includes amendments to the Commodity Exchange Act ("CEA") regarding over-the-counter derivative instruments, regulations were published by the Commodities Futures Trading Commission ("CFTC") that define business conduct between Swap Dealers or Major Swap Participants and their counterparties, including Swap Dealers or Major Swap Participants engaged in transactions with state and local governmental counterparties such as the Authority (referred to in the regulations as "Special Entities"). The new business conduct rules are far ranging and they can impact the Authority on several fronts as the Authority enters into or modifies transactions. The following sections are included in this Swap Management Plan in order to assist the Authority in complying with the CEA as amended by Dodd-Frank:

(1) Qualified Independent Representative

(a) In accordance with the CEA and as amended by Dodd-Frank, the Authority shall select a QIR that meets the following enumerated criteria:

- (i) has sufficient knowledge to evaluate the transaction and risks;
- (ii) is not subject to a statutory disqualification;
- (iii) is independent of the interest rate swap provider or major interest

rate swap participant. To be independent the QIR must currently not, and was not with a one-year look back, an associated person of the swap dealer; has no principal relationship with the swap dealer, provides timely disclosures of all potential conflicts of interest, complies with procedures designed to manage and mitigate conflicts of interest, is not controlled by, in control of, or under common control with the swap dealer, and was not recommended to the issuer by the swap dealer within one year of the transaction date;

- (iv) undertakes a duty to act in the best interests of the Authority;
- (v) makes appropriate and timely disclosures to the Authority;
- (vi) evaluates, consistent with any guidelines provided by the Authority, fair pricing and the appropriateness of the transaction; and
- (vii) is subject to restrictions on certain political contributions imposed by the CFTC, the SEC, or a self-regulatory organization subject to the jurisdiction of the CFTC or the SEC.

(b) At least annually, or as required by the Board of Commissioners, the Authority shall conduct a review of its QIR to ensure that the QIR still meets the above enumerated criteria. In the event that it is determined that the QIR no longer meets the enumerated criteria, then prior to the execution of any transaction the Authority shall select a replacement QIR that meets the enumerated criteria.

(2) Written Representations, In order to ensure that the Authority is in compliance with the new regulations imposed by Dodd-Frank, the Authority may, but is not required to, execute a ISDA August 2012 DF Protocol Agreement with its QIR and each Counterparty prior to executing any transactions. If the Authority elects not to execute a ISDA August 2012 DF Protocol Agreement with a counterparty, then the Authority shall provide an alternate form of written representation to such Counterparty that meets all applicable disclosure requirements as required by Dodd-Frank.

(3) Derivative Clearing Requirement.

(a) The CEA, as amended by Dodd-Frank, requires that certain derivative transactions, including those commonly entered into by state and local governmental entities, must be cleared through a derivatives clearing organization unless otherwise exempt from clearing under the "End User

Exception" as specified in Section 2(h)(7) of the CEA. In order to qualify for the End User Exception to the clearing requirements of the CEA, the Special Entity must report to the CFTC on either an annual or a transaction-by-transaction basis that it:

- (i) is not a financial entity;
- (ii) is using swaps to hedge or mitigate commercial risk; and
- (iii) will notify the CFTC, in a manner set forth by the CFTC, how it generally meets its financial obligations associated with entering into non-cleared swaps.

- (b) The Authority, in consultation with its QIR, shall make its best efforts to comply with the applicable derivative clearing requirements of the CEA as amended by Dodd-Frank.

10. SELECTION OF QIR

The Authority will competitively procure the services of a financial advisor or a swap advisor, whose scope of work shall include swap advisory services which will allow the firm to serve as the Authority's QIR under Dodd-Frank.

11. RECORD KEEPING

Written records noting the status of all interest rate swap agreements will be maintained by the Authority and shall include the following information:

1. Highlights of all material changes to swap agreements or new swap agreements entered into by the Authority since the last report.
2. Market value of each of the Authority's interest rate swap agreements.
3. For each counterparty, the Authority shall provide the total notional amount position, the average life of each swap agreement, the available capacity to enter into a swap transaction, and the remaining term of each swap agreement.
4. The credit rating of each swap counterparty and credit enhancer insuring swap Payments.
5. Actual collateral posting by swap counterparty, if any, per swap agreement and in total by swap counterparty.
6. A summary of each swap agreement, including but not limited to the type of swap, the rates paid by the Authority and received by the Authority, and other terms.
7. Information concerning any default by a swap counterparty to the Authority, and the results of the default, including but not limited to the financial impact to the Authority, if any.

8. A summary of any swap agreements that were terminated.

12. COMPLIANCE WITH ACCOUNTING STANDARDS

Any interest rate swap agreement entered into by the Authority under this Interest Rate Swap Management Plan shall be described in the Authority's annual audited financial statements in accordance with applicable accounting standards. This Interest Rate Swap Management plan shall be reviewed on an annual basis with the Authority's external auditor and any necessary changes shall be promptly implemented.

On motion by Treasurer DuPont and seconded by Commissioner Hodes, the Authority unanimously approved of item number 125-04-2013; and authorized or ratified, as presented, the recommendations contained therein; and received and filed the memoranda.

126-04-2013

In a memorandum dated April 8, 2013, Authorization to Execute a Novation (Assignment) of the Existing Series 2000B-G Interest Rate Swap Agreement with UBS Financial Services, was approved.

The Second Amended and Restated Series 2013 Turnpike Revenue Bond Resolution authorized the Authority to, among other things, refinance the \$225 million Series 2003C-1 bonds, and amend, terminate, or replace the \$225 million Series 2003C-1 Interest Rate Swap Agreement. The current counterparty on the Series 2003C-1 Swap Agreement is UBS Financial Services ("UBS"). As part of the negotiations with UBS to amend the Series 2003C-1 Swap Agreement to reflect the Series 2013 refunding bonds to be issued this month, UBS requested that it be replaced as the swap counterparty because UBS is endeavoring to exit the swap market. The process of replacing an existing swap counterparty with a new swap counterparty is known as a novation, or assignment, of the Swap Agreement.

The Authority also has a \$160 million Swap Agreement with UBS related to the Series 2000B-G bonds. UBS has expressed its desire to be replaced as the counterparty under this Swap Agreement as well. UBS has offered to provide the Authority with a discount on the swap termination fee if the Authority agrees to novate the swap to a new counterparty. In addition to the discount, which can be used to partially offset the costs of obtaining a new counterparty, a swap novation could allow the Authority to contract with a swap counterparty that has a higher credit rating, eliminate any existing swap insurance, and provide a counterparty that is willing to work with the Authority on any future debt refundings. The Series 2000B-G bonds are auction rate bonds, which have had failed auctions since late 2008 and are priced at a penalty interest rate. Although the penalty interest rate is currently at an acceptable level, as rates rise, this penalty interest rate will increase such that the Authority will want to refinance these bonds thereby requiring an amendment of the corresponding swap agreement. It is beneficial to the Authority to have a counterparty that is active in the swap market and will be cooperative with any

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amendment of the swap agreement.

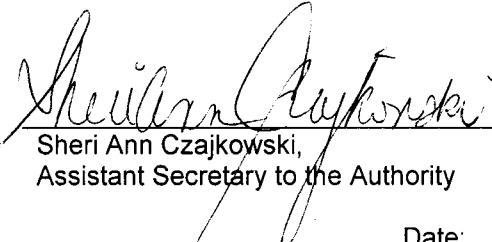
It is therefore recommended that the Executive Director be authorized to take any and all actions required to enter into a swap novation for the \$160 million Series 2000B-G Swap Agreement if determined to be in the best financial interests of the Authority. The Authority's swap advisor, First Southwest, will be instructed to obtain competitive bids for a replacement swap agreement.


On motion by Treasurer DuPont and seconded by Commissioner Becht, the Authority unanimously approved of item number 126-04-2013; and authorized or ratified, as presented, the recommendations contained therein; and received and filed the memoranda.

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The motion to adjourn was made by Treasurer DuPont and seconded by Commissioner Hodes and, after the voice vote, the motion was duly adopted. The Authority adjourned at 9:35 a.m., to meet on Tuesday, April 30, 2013, at 9:30 A.M.

ATTEST:


Sheri Ann Czajkowski,
Assistant Secretary to the Authority


Veronique Hakim,
Executive Director

Date: April 16, 2013