SUMMARY STATEMENT

ITEM NO. SUBJECT: Authorization for Issuance of Port District Project Refunding Bonds

COMMITTEE: Finance

COMMITTEE MEETING DATE: September 19, 2007

BOARD ACTION DATE: October 17, 2007

PROPOSAL: To adopt a resolution authorizing, among other things: the issuance of a (a) series of Port District Project Refunding Bonds ("Refunding Bonds") the proceeds of which shall be applied to refund the Authority’s Port District Project Bonds, Series B of 1998, ("1998 Bonds") to comply with the provisions of an International Swap Dealers Association, Inc. Master Agreement, Schedule to Master Agreement and Confirmation, dates as of November 15, 2001 (collectively the “Swaption”) between the Authority and Lehman Brothers Financial Products Inc. ("Lehman") relating to the 1998 Bonds; or (b) the cash settlement of the Swaption by entry by the Authority into a basis swap agreement relating to the Refunding Bonds which may include, but shall not be limited to, a basis swap in which the Authority will make payments at a floating rate based on the weekly SIFMA Swap Index and the Authority will receive from the swap counterparty to be selected: (i) an upfront payment to be applied to defray the costs of such cash settlement of the Swaption; and (ii) payments at a floating rate based on a percentage of one-month LIBOR plus a fixed spread.

PURPOSE: To fulfill the requirements of the exercise of the Swaption by Lehman.

BACKGROUND: N/A

SUMMARY: Amount: N/A
Source of Funds: N/A
Capital Project #: N/A
Operating Budget: N/A
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: N/A
Other Parties Involved: N/A
2008 REFUNDING BONDS RESOLUTION

WHEREAS, the Delaware River Port Authority (“Authority”) has heretofore entered into an International Swap Dealers Association, Inc. Master Agreement, Schedule to Master Agreement and Confirmation, all dated as of November 15, 2001 (collectively the “1998 Bonds Swaption”), with Lehman Brothers Financial Products Inc. (“Swap Provider”) relating to the Authority’s Port District Project Bonds, Series B of 1998 (“1998 Bonds”), which were issued pursuant to an Indenture of Trust, dated as of August 15, 1998 (“1998 Indenture”), between The Bank of New York Trust Company, N.A., successor trustee to U.S. Trust Company of New Jersey (“1998 Trustee”) and the Authority; and

WHEREAS, the 1998 Bonds Swaption contains an option (“Option”), provided that notice of exercise is given by the Swap Provider in accordance with the provisions of the 1998 Bonds Swaption, requiring that the Authority and the Swap Provider, effective January 1, 2008 (“Effective Date”), commence the exchange of payments under the 1998 Bonds Swaption, with the Authority paying a fixed rate of 4.865% (set forth in the 1998 Bonds Swaption) and the Swap Provider paying a floating rate equal to 66% of one-month USD-LIBOR-BBA; and

WHEREAS, on August 30, 2007 the Swap Provider notified the Authority of its exercise of the Option on the Effective Date; and

WHEREAS, in connection with the exercise of the Option, it is necessary that the Authority authorize, issue, sell and deliver a series of bonds (“Refunding Bonds”), by no later than the Effective Date, pursuant to an Indenture of Trust, to be dated as set forth therein (“Indenture”) to be entered into by the Authority and a trustee to be appointed by the Authority (“Trustee”) for the purpose of refunding and redeeming the outstanding 1998 Bonds on the Effective Date and paying the costs of issuance of the Refunding Bonds (“2008 Refunding Project”); and

WHEREAS, the Refunding Bonds may be issued in the form of fixed rate bonds or variable rate bonds, including auction rate securities; and

WHEREAS, in connection with the exercise of the Option on the Effective Date and the issuance of the Refunding Bonds, the Authority has determined that it is in the best financial interest of the Authority to authorize: (i) the cash settlement of the 1998 Bonds Swaption; and (ii) the entry by the Authority into a basis swap agreement relating to the Refunding Bonds which may include, but shall not be limited to a basis swap in which the Authority will make payments at a floating rate based on the weekly SIFMA Swap Index and the Authority will receive from the swap counterparty to be selected: (a) an upfront payment to be applied to defray costs of cash settlement of the 1998 Bonds Swaption; and (b) payments at a floating rate based on a percentage of one-month USD-LIBOR-BBA plus a fixed spread (“Basis Swap
WHEREAS, it is necessary and appropriate for the Authority to authorize and approve the issuance, sale and delivery of the Refunding Bonds, the execution of the Replacement Swap Transaction, the execution and delivery of such documents and instruments as are necessary or appropriate to effect the 2008 Refunding Project and the Replacement Swap Transaction, and such actions as may be necessary or appropriate to effect the 2008 Refunding Project and the Replacement Swap Transaction; and

NOW THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Authority as follows:


The Authority hereby authorizes the 2008 Refunding Project and the Replacement Swap Transaction.

2. Refunding Bonds.

(a) The Authority hereby authorizes the issuance, sale and delivery of the Refunding Bonds. The Refunding Bonds shall be issued in an aggregate principal amount which shall not exceed $70,000,000, if the Refunding Bonds are issued as variable rate bonds or auction rate securities, and in an aggregate principal amount which shall not exceed $90,000,000, if the Refunding Bonds are issued as fixed rate bonds.

The Refunding Bonds shall be Subordinated Indebtedness, as defined in the Indenture of Trust, dated as of July 1, 1998, as heretofore amended and supplemented, between the Authority and Commerce Bank, National Association, as trustee (“1998 Revenue Bonds Indenture”). In accordance with Section 5.20(d) of the 1998 Revenue Bonds Indenture, the Authority hereby determines that the issuance of the Refunding Bonds will not impair the financial viability of the Authority and its operations.

(b) The Chairman, Vice Chairman and Chief Executive Officer of the Authority (collectively, the “Authorized Officers”) shall determine whether to issue the Refunding Bonds as variable rate bonds or fixed rate bonds, with the advice of the Authority’s Chief Financial Officer, Financial Advisor and Bond Counsel.

(c) The Authorized Officers shall determine, if the Refunding Bonds are to be issued as variable rate bonds, the type of variable rate bonds to be issued, e.g., variable rate
demand bonds, auction rate securities or multi-modal bonds, with the advice of the Authority’s Chief Financial Officer, Financial Advisor and Bond Counsel.

(d) The Refunding Bonds shall be dated, shall mature in such principal amounts and on such dates, shall bear interest at such rates, payable on such dates, shall be subject to redemption prior to maturity on such terms and conditions, and shall otherwise be subject to such additional terms, conditions and provisions as shall be approved prior to their issuance by the Authorized Officers with the advice of the Authority’s Chief Financial Officer, Financial Advisor and Bond Counsel; provided that: (i) if the Refunding Bonds are issued as fixed rate bonds, the net interest cost with respect to the Refunding Bonds shall not exceed 7.0% per annum; (ii) if the Refunding Bonds are issued as variable rate bonds or auction rate securities, the maximum interest rate borne by the Refunding Bonds shall not exceed 15% per annum; (iii) if the Refunding Bonds are issued as fixed rate bonds, the Underwriters’ discount in connection with the purchase and re-offering of the Refunding Bonds shall not exceed $6.50 per thousand dollars of Refunding Bonds; (iv) if the Refunding Bonds are issued as variable rate bonds or auction rate securities, the Underwriters’ discount in connection with the purchase and re-offering of the Refunding Bonds shall not exceed $5.50 per thousand dollars of Refunding Bonds; (v) any optional redemption premium on the Refunding Bonds shall not exceed 102%; (vi) the principal amortization of the Refunding Bonds and the amortization schedule of the Basis Swap Transaction shall be identical; and the maximum maturity shall not exceed any applicable provisions of the Compact (as defined in the 1998 Indenture).

3. Replacement Swap Transaction.

(a) The Authorized Officers are hereby authorized and directed to negotiate and approve the cash settlement of the 1998 Bonds Swaption with the Swap Provider, with the advice of the Authority’s Chief Financial Officer, Financial Advisor and Bond Counsel.

(b) The Authorized Officers are hereby authorized and directed to determine the method of award of the Basis Swap Transaction, either by invitation to bid to qualified providers or by negotiation with one or more qualified providers, with the advice of the Authority’s Chief Financial Officer, Financial Advisor and Bond Counsel.

(c) The Authorized Officers are hereby authorized to approve, execute (jointly or severally) and deliver the documents and instruments necessary to evidence the Replacement Swap Transaction.

4. Approval of Refunding Bond Documents.

The Authority hereby authorizes the preparation of all documents necessary to effect the sale, issuance and delivery of the Refunding Bonds including, without limitation, the Indenture, the Refunding Bonds, a purchase contract between the Authority and underwriters to be selected
providing for the sale and purchase of the Refunding Bonds (“Bond Purchase Contract”), a preliminary official statement and a final official statement in respect of the Refunding Bonds (collectively, the “Official Statement”), a continuing disclosure agreement, an escrow deposit agreement, if needed, a tax compliance agreement, any remarketing agreement, auction agent agreement or broker-dealer agreement as may be required if the Refunding Bonds are issued as variable rate bonds or auction rate securities, and such other agreements, documents, certificates and instruments as Bond Counsel shall advise are necessary or appropriate to effect the issuance of the Refunding Bonds, the 2008 Refunding Project, the defeasance of the lien of 1998 Indenture, and the Replacement Swap Transaction. The Authorized Officers, with the advice of the Authority’s Chief Financial Officer, the Authority’s General Counsel and Bond Counsel, are hereby authorized and directed to approve all such documents and to cause the execution and delivery of all such documents on behalf of the Authority.

5. **Credit Enhancement.**

   (a) The Authorized Officers, with the advice of the Authority’s Chief Financial Officer, Financial Advisor and Bond Counsel, are hereby authorized and directed to approve and execute a bond insurance commitment if deemed necessary or appropriate in order to cause the issuance by a municipal bond insurance company of a municipal bond insurance policy providing credit enhancement for the Refunding Bonds.

   (b) If the Refunding Bonds are issued as variable rate bonds in the form of variable rate demand bonds, the Authorized Officers, with the advice of the Authority’s Chief Financial Officer, Financial Advisor and Bond Counsel, are hereby authorized and directed to obtain credit enhancement in the form of a liquidity facility and/or a letter of credit for the Refunding Bonds and to approve and execute one or more standby bond purchase agreements, reimbursement agreements or similar agreements, as necessary or appropriate.

6. **Debt Service Reserve Fund.**

   The Authorized Officers, with the advice of the Authority’s Chief Financial Officer, Financial Advisor and Bond Counsel, are hereby authorized and directed to determine the “debt service reserve requirement” for the Refunding Bonds, to obtain a “reserve fund credit facility” for a portion of such debt service reserve requirement, if they determine it to be in the best financial interests of the Authority, and to establish a separate “Debt Service Reserve Fund” within the Indenture with respect to the Refunding Bonds, as they shall determine to be necessary or appropriate.

7. **Selection of Underwriters and Professional Advisors.**

   The Authorized Officers are hereby authorized and directed to select the Underwriters for the Refunding Bonds, an escrow agent (who may be the Trustee or the 1998 Trustee), the Trustee,
the Financial Advisor, Bond Counsel, swap bidding agent or investment bidding agent (either of whom may be the Financial Advisor), and any special counsel or co-counsel or other professional advisors for the Authority. If the Refunding Bonds are issued as variable rate bonds or auction rate securities, the Authorized Officers shall select any remarketing agent, auction agent, tender agent or broker-dealers as may be required for the form of debt evidenced by such variable rate bonds.

8. Authorized Officers’ Actions; Execution of Documents.

The Authorized Officers are hereby authorized and directed to approve, execute and deliver all documents, instruments and certificates, and to take all actions necessary and proper to effect the 2008 Refunding Project, the Replacement Swap Transaction and all other matters authorized in this Resolution. If the Chairman or Vice Chairman is absent or unavailable, the remaining officer may execute the documents with the Chief Executive Officer. If both the Chairman and the Vice Chairman are absent or unavailable and if it is necessary to execute any of such documents in their absence, then the Chief Executive Officer shall execute such documents on behalf of the Authority.

9. Inconsistent Resolutions Repealed.

All prior resolutions or parts thereof to the extent inconsistent with this Resolution are hereby rescinded and repealed.

10. Effective Date.

This Resolution shall take effect at the earliest time permitted by applicable law.

DULY ADOPTED THIS 17th day of October, 2007.