

Date: February 1, 2011

To: James Petrino

From: Robert Lamb

RE: January 31, 2011 Swap Valuation

As of January 31, 2011 The State of New Jersey (the "State") has entered into twenty seven (27) interest rate swap agreements with a combined outstanding notional value of \$3,361,610,833 with eleven different counterparties.

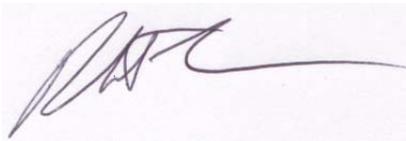
Since the last swap valuation report Moody's has downgraded Royal Bank of Canada from Aaa to Aa1.

On January 20, 2010 the NJEDA partially terminated eight (8) swap agreements. Three (3) of the agreement are between the NJEDA and Goldman Sachs Mitsui Marine Products, L.P. ("Goldman Sachs"); three (3) are between the NJEDA and UBS AG ("UBS"); one (1) is between the NJEDA and Deutsche Bank AG ("Deutsche Bank"); and one is between the NJEDA is between the NJEDA and Royal Bank of Canada ("RBC"). The total Notional Amount terminated was \$784,824,167 and the total cost to execute the Partial Terminations, excluding accrued interest, is \$122,446,420. A memo that fully describes the partial termination process is attached to the end of the valuation report.

The aggregate mark-to-market value of these swaps is negative to the State since interest rates have fallen. The negative value of the swaps indicates that the eleven counterparties have credit exposure to the State and that the State has no credit exposure to the counterparties.

As of January 31, 2011, the mark-to-market value of the swap portfolio is \$(409.727) million compared to a \$(594.247) million mark-to-market value on December 31, 2010. This value represents the total amount the State would pay to the counterparties in the event all of the swaps were terminated at mid-market rates, excluding any dealer spread. Refer to the attached valuation report for key detailed information regarding the value of each of the outstanding swaps.

Sincerely,



Robert Lamb, President
Lamont Investment Advisers Corporation

State of New Jersey
Interest Rate Swap Valuation-Portfolio Summary
January 31, 2011

Counterparty	Swap Reference Number	Bond Issuer	Outstanding Notional Amount	Effective Date	Termination Date	Fixed Rate	Floating Index**	Replacement Rate	Average Remaining Life	Accrued Payments/(Receipts)	Mark-To Market Value*	Basis Point Value
Bank of America												
	3062475	NJSCC	196,965,834	9/1/2006	9/1/2031	4.40740%	71.98% 1-Month LIBOR	2.8082%	14.03	(693,389.97)	(34,292,146.92)	214,427.11
Bank of Montreal												
	341409/398914	NJSCC	250,000,000	From 11/1/2009 to 11/1/2012 From 11/1/2012 to 9/1/2034		3.15250% 4.54850%	No Floating Receipts/Payments 62% 1-Month LIBOR+40 bps	2.6918%	14.35	(656,770.83)	(43,569,741.04)	140,584.18
Citibank												
	35746	NJBA	72,095,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	1.9601%	6.56	(33,592.26)	(7,302,673.90)	43,470.80
	35747	NJBA	30,895,000 <u>102,990,000</u>	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	1.9629%	6.61	(74,855.84)	(3,146,725.94) <u>(10,449,399.84)</u>	18,762.98 <u>62,233.78</u>
Deutsche Bank												
	NJ299584N	NJSCC	10,020,000	11/1/2006	11/1/2011	4.32375%	75% 1-Month LIBOR+ 5.25 bps	0.3111%	0.83	(33,457.28)	(334,611.48)	833.90
Goldman Sachs												
	NUUS308MT0	NJBA	24,025,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	1.9653%	6.58	(6,716.59)	(2,434,499.93)	14,536.64
	NUUS308MU0	NJBA	10,305,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	1.9632%	6.61	(24,968.10)	(1,049,715.49)	6,260.30
	NUUS304B30	NJSCC	78,167,500	3/1/2006	3/1/2031	4.29590%	70.80% 1-Month LIBOR	2.9333%	18.26	(268,109.80)	(14,194,784.55)	104,173.35
	NUUS304CSO	NJSCC	93,187,500	9/1/2006	9/1/2031	4.40740%	71.98% 1-Month LIBOR	2.9799%	18.02	(328,053.23)	(17,463,842.32)	122,341.87
	NUUS304AZ	NJSCC	112,069,166	9/1/2007	9/1/2032	4.39900%	71.57% 1-Month LIBOR	2.9686%	18.55	(393,836.28)	(21,514,968.38)	150,409.68
	NUUS301R30	NJTTF	85,000,000	1/30/2003	12/15/2017	3.56500%	67% 1-Month LIBOR	1.8359%	6.72	(128,065.25)	(9,266,478.95)	53,590.77
	Option to Cancel NUUS301R90	NJTTF	50,000,000	1/30/2003	12/15/2011 12/15/2018	3.63000%	67% 1-Month LIBOR	2.0358%	7.92	6,631,563.95 (76,776.94)	(60,898.69) (5,790,413.88)	(60,898.69) 36,321.36
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011 12/15/2018	3.53700%	67% 1-Week LIBOR	1.6085%	5.62	4,259,390.88 (127,007.47)	(39,185.13) (8,764,218.34)	(39,185.13) 45,444.84
	Option to Cancel NUUS301RCO	NJTTF	62,500,000	1/30/2003	12/15/2011 12/15/2019	3.67500%	67% 1-Week LIBOR	2.1404%	8.66	6,129,303.34 (97,221.18)	(55,532.97) (7,510,238.62)	(55,532.97) 48,940.01
	Option to Cancel NUUS301RFO	NJTTF	62,500,000	1/30/2003	12/15/2011 12/15/2019	3.67500%	67% 1-Week LIBOR	2.1404%	8.66	5,617,056.62 (97,221.18)	(51,556.86) (7,510,238.62)	(51,556.86) 48,940.01
			<u>662,754,166</u>								<u>(67,245,027.66)</u>	<u>372,228.34</u>
Ixis Financial Products												
	86715CF	NJSCC	244,200,000	11/1/2008	9/1/2033	4.48900%	62% 1-Month LIBOR+ 40 bps	2.8109%	13.67	(787,634.10)	(42,587,484.57)	253,777.82

State of New Jersey
Interest Rate Swap Valuation-Portfolio Summary
January 31, 2011

Counterparty	Swap Reference Number	Bond Issuer	Outstanding Notional Amount	Effective Date	Termination Date	Fixed Rate	Floating Index**	Replacement Rate	Average Remaining Life	Accrued Payments/(Receipts)	Mark-To Market Value*	Basis Point Value
Merrill Lynch												
	03MU00768	NJSCC	500,000,000	5/1/2010	3/1/2035	4.25100%	62% 1-Month LIBOR+ 40 bps	2.8484%	14.93	(1,538,915.38)	(77,636,837.32)	553,508.17
Morgan Stanley												
	AUBVJ	NJBA	24,025,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	1.9683%	6.57	0.00	(2,425,277.07)	14,507.51
	AUBVH	NJBA	10,305,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	1.9632%	6.61	(24,968.10)	(1,049,715.49)	6,260.30
			<u>34,330,000</u>								<u>(3,474,992.56)</u>	<u>20,768</u>
Royal Bank of Canada												
	1298694/1318099-1318161	NJSCC	150,073,333	5/1/2009	3/1/2034	4.51240%	62% 1-Month LIBOR+ 40 bps	2.9737%	17.59	(494,591.30)	(29,047,136.84)	188,780.94
UBS												
	7409526	NJSCC	64,322,500	9/1/2004	9/1/2029	4.06250%	71.13% 1-Month LIBOR	2.9215%	17.22	(208,066.59)	(9,438,081.99)	82,718.89
	7409549	NJSCC	74,572,500	3/1/2005	3/1/2030	4.17625%	74.24% 1-Month LIBOR	3.0216%	15.58	(247,800.25)	(9,952,352.05)	86,193.45
	37195818	NJSCC	116,097,500	9/1/2007	9/1/2032	4.39900%	71.57% 1-Month LIBOR	2.9652%	18.41	(407,992.75)	(22,235,581.97)	155,079.94
	43070848***	NJSCC	380,515,000	5/1/2008	9/1/2015	3.03590%	75% 1-Month LIBOR	1.3772%	4.01	902,217.27	24,645,306.70	(148,580.22)
			<u>635,507,500</u>								<u>(16,980,709.32)</u>	<u>175,412.06</u>
Wachovia												
	211259	NJSCC	172,310,000	9/1/2004	9/1/2029	4.06250%	71.13% 1-Month LIBOR	2.7374%	13.31	(557,378.13)	(24,248,969.49)	183,002.51
	211260	NJSCC	223,417,500	3/1/2005	3/1/2030	4.17625%	74.24% 1-Month LIBOR	2.7603%	11.55	(742,403.88)	(29,358,444.91)	207,344.94
	210685	NJSCC	179,042,500	3/1/2006	3/1/2031	4.29590%	70.80% 1-Month LIBOR	2.7802%	14.45	(614,104.95)	(30,501,568.67)	201,237.62
			<u>574,770,000</u>								<u>(84,108,983.07)</u>	<u>591,585</u>
Totals			<u>3,361,610,833</u>								<u>(409,727,070.64)</u>	<u>2,574,139.18</u>

*Includes Accrued Payments

** NJSCC Swaps are reset weekly. Payments are made monthly using weighted average of the weekly resets.

*** Fixed Rate Receiver Swaps

State of New Jersey
New Jersey Building Authority
Interest Rate Swap Valuation Summary
January 31, 2011

Counterparty	Swap Reference Number	Outstanding Notional Amount	Effective Date	Termination Date	NJ Pays	NJ Receives	Replacement Rate	Average Remaining Life	Accrued Receipts/(Payments)	Mark-To Market Value*	Basis Point Value
Citibank											
	35746	72,095,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	1.9601%	6.56	(33,592)	(7,302,674)	43,471
	35747	30,895,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	1.9629%	6.61	(74,856)	(3,146,726)	18,763
Goldman Sachs											
	NUUS308MT0	24,025,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	1.9653%	6.58	(6,717)	(2,434,500)	14,537
	NUUS308MU0	10,305,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	1.9632%	6.61	(24,968)	(1,049,715)	6,260
Morgan Stanley											
	AUBVJ	24,025,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	1.9683%	6.57	0	(2,425,277)	14,508
	AUBVH	10,305,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	1.9632%	6.61	(24,968)	(1,049,715)	6,260
Totals		<u>171,650,000</u>							<u>(165,101)</u>	<u>(17,408,608)</u>	<u>103,799</u>

*Includes Accrued Payments

State of New Jersey
 NJEDA-School Construction Coporation
 Interest Rate Swap Valuation Summary
 January 31, 2011

Counterparty	Swap Reference Number	Outstanding Notional Amount	Effective Date	Termination Date	NJ Pays	Floating Index	Replacement Rate	Average Remaining Life	Accrued Receipts/(Payments)	Mark-To Market Value*	Basis Point Value
Bank of America											
	3062475	196,965,834	9/1/2006	9/1/2031	4.40740%	71.98% 1-Month LIBOR	2.8082%	14.03	(693,390)	(34,292,147)	214,427
Bank of Montreal											
	341409/398914	250,000,000	From 11/1/2009 to 11/1/2012 From 11/1/2012 to 9/1/2034		3.15250% 4.54850%	Floating Receipts/Payme 2% 1-Month LIBOR+40 bps	2.6918%	14.35	(656,771)	(43,569,741)	140,584
Deutsche Bank											
	NJ299584N	10,020,000	11/1/2006	11/1/2011	4.32375%	75% 1-Month LIBOR+ 5.25 bps	0.3111%	0.83	(33,457)	(334,611)	834
Ixis Financial Products											
	86715CF	244,200,000	11/1/2008	9/1/2033	4.48900%	62% 1-Month LIBOR+ 40 bps	2.8109%	13.67	(787,634)	(42,587,485)	253,778
Goldman Sachs											
	NUUS304B30	78,167,500	3/1/2006	3/1/2031	4.29590%	70.80% 1-Month LIBOR	2.9333%	18.26	(268,110)	(14,194,785)	104,173
	NUUS304CSO	93,187,500	9/1/2006	9/1/2031	4.40740%	71.98% 1-Month LIBOR	2.9799%	18.02	(328,053)	(17,463,842)	122,342
	NUUS304AZ	112,069,166	9/1/2007	9/1/2032	4.39900%	71.57% 1-Month LIBOR	2.9686%	18.55	(393,836)	(21,514,968)	150,410
Merrill Lynch											
	03MU00768	500,000,000	5/1/2010	3/1/2035	4.25100%	62% 1-Month LIBOR+ 40 bps	2.8484%	14.93	(1,538,915)	(77,636,837)	553,508
Royal Bank of Canada											
	1298694/1318099 1298694/131809 9-1318161	150,073,333	5/1/2009	3/1/2034	4.51240%	62% 1-Month LIBOR+ 40 bps	2.9737%	17.59	(494,591)	(29,047,137)	188,781
UBS											
	7409526	64,322,500	9/1/2004	9/1/2029	4.06250%	71.13% 1-Month LIBOR	2.9215%	17.22	(208,067)	(9,438,082)	82,719
	7409549	74,572,500	3/1/2005	3/1/2030	4.17625%	74.24% 1-Month LIBOR	3.0216%	15.58	(247,800)	(9,952,352)	86,193
	37195818	116,097,500	9/1/2007	9/1/2032	4.39900%	71.57% 1-Month LIBOR	2.9652%	18.41	(407,993)	(22,235,582)	155,080
	43070848**	380,515,000	5/1/2008	9/1/2015	3.03590%	75% 1-Month LIBOR	1.3772%	4.01	902,217	24,645,307	(148,580)
Wachovia											
	211259	172,310,000	9/1/2004	9/1/2029	4.06250%	71.13% 1-Month LIBOR	2.7374%	13.31	(557,378)	(24,248,969)	183,003
	211260	223,417,500	3/1/2005	3/1/2030	4.17625%	74.24% 1-Month LIBOR	2.7603%	11.55	(742,404)	(29,358,445)	207,345
	210685	179,042,500	3/1/2006	3/1/2031	4.29590%	70.80% 1-Month LIBOR	2.7802%	14.45	(614,105)	(30,501,569)	201,238
Totals		<u>2,844,960,833</u>							<u>(7,070,287)</u>	<u>(381,731,246)</u>	<u>2,495,834</u>

*Includes Accrued Payments
 ** Fixed Rate Receiver Swaps

State of New Jersey
New Jersey Transportation Trust Fund Authority
Interest Rate Swap Valuation Summary
January 31, 2011

Counterparty	Swap Reference Number	Outstanding Notional Amount	Effective Date	Termination Date	NJ Pays	NJ Receives	Replacement Rate	Average Remaining Life	Accrued Receipts/(Payments)	Mark-To Market Value*	Basis Point Value
Goldman Sachs											
	NUUS301R30 Option to Cancel	85,000,000	1/30/2003	12/15/2017 12/15/2011	3.56500%	67% 1-Month LIBOR	1.8359%	6.72	(128,065)	(9,266,479) 6,631,564	53,591 (60,899)
									(128,065)	(2,634,915)	(7,308)
	NUUS301R90 Option to Cancel	50,000,000	1/30/2003	12/15/2018 12/15/2011	3.63000%	67% 1-Month LIBOR	2.0358%	7.92	(76,777)	(5,790,414) 4,259,391	36,321 (39,185)
									(76,777)	(1,531,023)	(2,864)
	NUUS301R70 Option to Cancel	85,000,000	1/30/2003	12/15/2018 12/15/2011	3.53700%	67% 1-Week LIBOR	1.6085%	5.62	(127,007)	(8,764,218) 6,129,303	45,445 (55,533)
									(127,007)	(2,634,915)	(10,088)
	NUUS301RCO Option to Cancel	62,500,000	1/30/2003	12/15/2019 12/15/2011	3.67500%	67% 1-Week LIBOR	2.1404%	8.66	(97,221)	(7,510,239) 5,617,057	48,940 (51,557)
									(97,221)	(1,893,182)	(2,617)
	NUUS301RFO Option to Cancel	62,500,000	1/30/2003	12/15/2019 12/15/2011	3.67500%	67% 1-Week LIBOR	2.1404%	8.66	(97,221)	(7,510,239) 5,617,057	48,940 (51,557)
									(97,221)	(1,893,182)	(2,617)
Totals		<u>345,000,000</u>							<u>(526,292)</u>	<u>(10,587,217)</u>	<u>(25,494)</u>

*Includes Accrued Payments

**State of New Jersey
Counterparty Rating and
Outstanding Notional Amount Summary
January 31, 2011**

Counterparty	Rating: S&P	Rating: Moody's	Rating: Fitch	Outstanding Notional	Notional as % of Total
Bank of America, N.A.	A+	Aa3	A+	196,965,834	5.86%
Bank of Montreal, N.A.	A+	Aa2	AA-	250,000,000	7.44%
Citibank, N.A.	A+	A1	A+	102,990,000	3.06%
Deutsche Bank, AG New York	A+	Aa3	AA-	10,020,000	0.30%
Goldman Sachs Mitsui Marine	AAA	Aa1	N/A	662,754,166	19.72%
Natixis Financial Products	A+	Aa3	A+	244,200,000	7.26%
Merrill Lynch & Co.	A	A2	A+	500,000,000	14.87%
Morgan Stanley	A	A2	A	34,330,000	1.02%
Royal Bank of Canada	AA-	Aa1	AA	150,073,333	4.46%
UBS AG	A+	Aa3	A+	635,507,500	18.90%
Wachovia Bank, N.A.	N/A	Aa2	N/A	574,770,000	17.10%
				3,361,610,833	100.00%

State of New Jersey
Interest Rate Swap Portfolio-Sensitivity Analysis
+/- 100 Basis Points
January 31, 2011

Counterparty	Swap Reference Number	Bond Issuer	Outstanding Notional Amount	Effective Date	Termination Date	Fixed Rate	Floating Index	MTM Value	+100 Basis Points MTM Value	-100 Basis Points MTM Value
Bank of America										
	3062475	NJSCC	196,965,834	9/1/2006	9/1/2031	4.40740%	71.98% 1-Month LIBOR	(34,292,146.92)	(18,633,903.31)	(49,002,120.82)
Bank of Montreal										
	341409/398914	NJSCC	250,000,000	From 11/1/2009 to 11/1/2012 From 11/1/2012 to 9/1/2034		3.15250% 4.54850%	No Floating Receipts/Payments 62% 1-Month LIBOR+40 bps	(43,569,741.04)	(29,511,323.31)	(57,628,158.78)
Citibank										
	35746	NJBA	72,095,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	(7,302,673.90)	(4,573,994.17)	(9,720,705.74)
	35747	NJBA	30,895,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	(3,146,725.94)	(1,967,379.11)	(4,190,403.59)
			<u>102,990,000</u>					<u>(10,449,399.84)</u>	<u>(6,541,373.28)</u>	<u>(13,911,109)</u>
Deutsche Bank										
	NJ299584N	NJSCC	10,020,000	11/1/2006	11/1/2011	4.32375%	75% 1-Month LIBOR+ 5.25 bps	(334,611.48)	(271,235.90)	(356,119.73)
Goldman Sachs										
	NUUS308MT0	NJBA	24,025,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	(2,434,499.93)	(1,521,898.76)	(3,244,035.28)
	NUUS308MU0	NJBA	10,305,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	(1,049,715.49)	(656,224.30)	(1,397,953.96)
	NUUS304B30	NJSCC	78,167,500	3/1/2006	3/1/2031	4.29590%	70.80% 1-Month LIBOR	(14,194,784.55)	768,154.56	(21,305,134.68)
	NUUS304CS0	NJSCC	93,187,500	9/1/2006	9/1/2031	4.40740%	71.98% 1-Month LIBOR	(17,463,842.32)	403,798.79	(25,950,318.21)
	NUUS304AZ	NJSCC	112,069,166	9/1/2007	9/1/2032	4.39900%	71.57% 1-Month LIBOR	(21,514,968.38)	326,956.83	(31,898,068.35)
	NUUS301R30	NJTTF	85,000,000	1/30/2003	12/15/2017	3.56500%	67% 1-Month LIBOR	(9,266,478.95)	(5,624,032.78)	(12,520,900.53)
	Option to Cancel NUUS301R90	NJTTF	50,000,000	1/30/2003	12/15/2011			6,631,563.95	5,577,548.60	7,594,157.43
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.63000%	67% 1-Month LIBOR	(5,790,413.88)	(3,321,919.80)	(8,030,658.20)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	4,259,390.88	3,511,009.15	4,957,417.40
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	(8,764,218.34)	(5,676,094.96)	(11,464,317.14)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	6,129,303.34	5,322,749.68	6,835,085.60
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%				

State of New Jersey
Interest Rate Swap Portfolio-Sensitivity Analysis
+/- 100 Basis Points
January 31, 2011

Counterparty	Swap Reference Number	Bond Issuer	Outstanding Notional Amount	Effective Date	Termination Date	Fixed Rate	Floating Index	MTM Value	+100 Basis Points MTM Value	-100 Basis Points MTM Value
Merrill Lynch	03MU00768	NJSCC	500,000,000	5/1/2010	3/1/2035	4.25100%	62% 1-Month LIBOR+ 40 bps	(77,636,837.32)	(42,828,256.31)	(110,368,291.72)
Morgan Stanley	AUBVJ	NJBA	24,025,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	(2,425,277.07)	(1,514,224.75)	(3,234,187.96)
	AUBVH	NJBA	10,305,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points 20 bps	(1,049,715.49)	(656,224.30)	(1,397,953.96)
			34,330,000					(3,474,992.56)	(2,170,449.05)	(4,632,141.92)
Royal Bank of Canada	1298694/1318099-1318161	NJSCC	150,073,333	5/1/2009	3/1/2034	4.51240%	62% 1-Month LIBOR+ 40 bps	(29,047,136.84)	(17,174,644.19)	(40,316,451.13)
UBS	7409526	NJSCC	64,322,500	9/1/2004	9/1/2029	4.06250%	71.13% 1-Month LIBOR	(9,438,081.99)	(3,468,945.62)	(15,100,408.06)
	7409549	NJSCC	74,572,500	3/1/2005	3/1/2030	4.17625%	74.24% 1-Month LIBOR	(9,952,352.05)	(3,461,597.51)	(16,073,187.00)
	37195818	NJSCC	116,097,500	9/1/2007	9/1/2032	4.39900%	71.57% 1-Month LIBOR	(22,235,581.97)	(10,975,515.69)	(32,938,452.13)
	43070848	NJSCC	380,515,000	5/1/2008	9/1/2015	3.03590%	75% 1-Month LIBOR	24,645,306.70	13,344,729.20	34,032,125.18
			635,507,500.00					(16,980,709.32)	(4,561,329.62)	(30,079,922.02)
Wachovia	211259	NJSCC	172,310,000	9/1/2004	9/1/2029	4.06250%	71.13% 1-Month LIBOR	(24,248,969.49)	(11,043,212.75)	(36,632,829.03)
	211260	NJSCC	223,417,500	3/1/2005	3/1/2030	4.17625%	74.24% 1-Month LIBOR	(29,358,444.91)	(13,746,023.27)	(43,859,932.94)
	210685	NJSCC	179,042,500	3/1/2006	3/1/2031	4.29590%	70.80% 1-Month LIBOR	(30,501,568.67)	(16,050,055.55)	(44,103,033.51)
			574,770,000					(84,108,983.07)	(40,839,291.57)	(124,595,795.47)
Totals			3,361,610,833.10					(409,727,070.64)	(189,231,305.30)	(592,797,751.52)

State of New Jersey
Interest Rate Swap Portfolio-Sensitivity Analysis
+/- 200 Basis Points
January 31, 2011

Counterparty	Swap Reference Number	Bond Issuer	Outstanding Notional Amount	Effective Date	Termination Date	Fixed Rate	Floating Index	MTM Value	+200 Basis Points MTM Value	-200 Basis Points MTM Value
Bank of America										
	3062475	NJSCC	196,965,834	9/1/2006	9/1/2031	4.40740%	71.98% 1-Month LIBOR	(34,292,146.92)	(2,975,659.70)	(62,130,739.42)
Bank of Montreal										
	341409/398914	NJSCC	250,000,000	From 11/1/2009 to 11/1/2012 From 11/1/2012 to 9/1/2034		3.15250% 4.54850%	No Floating Receipts/Payments 62% 1-Month LIBOR+40 bps	(43,569,741.04)	(15,452,905.57)	(71,568,435.74)
Citibank										
	35746	NJBA	72,095,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	(7,302,673.90)	(1,845,314.44)	(11,646,735.84)
	35747	NJBA	30,895,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	(3,146,725.94)	(788,032.28)	(5,020,820.12)
			<u>102,990,000</u>					<u>(10,449,399.84)</u>	<u>(2,633,346.71)</u>	<u>(16,667,555.97)</u>
Deutsche Bank										
	NJ299584N	NJSCC	10,020,000	11/1/2006	11/1/2011	4.32375%	75% 1-Month LIBOR+ 5.25 bps	(334,611.48)	(207,860.32)	(356,119.73)
Goldman Sachs										
	NUUS308MT0	NJBA	24,025,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	(2,434,499.93)	(609,297.60)	(3,889,695.83)
	NUUS308MU0	NJBA	10,305,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	(1,049,715.49)	(262,733.12)	(1,675,057.59)
	NUUS304B30	NJSCC	78,167,500	3/1/2006	3/1/2031	4.29590%	70.80% 1-Month LIBOR	(14,194,784.55)	768,154.56	(27,793,671.16)
	NUUS304CSO	NJSCC	93,187,500	9/1/2006	9/1/2031	4.40740%	71.98% 1-Month LIBOR	(17,463,842.32)	403,798.79	(33,692,998.00)
	NUUS304AZ	NJSCC	112,069,166	9/1/2007	9/1/2032	4.39900%	71.57% 1-Month LIBOR	(21,514,968.38)	326,956.83	(41,379,975.09)
	NUUS301R30	NJTTF	85,000,000	1/30/2003	12/15/2017	3.56500%	67% 1-Month LIBOR	(9,266,478.95)	(1,981,586.62)	(15,094,309.80)
	Option to Cancel NUUS301R90	NJTTF	50,000,000	1/30/2003	12/15/2011	3.63000%	67% 1-Month LIBOR	6,631,563.95 (5,790,413.88)	4,266,856.18 (853,425.73)	8,570,372.62 (9,870,307.05)
	Option to Cancel NUUS301R70	NJTTF	85,000,000	1/30/2003	12/15/2011	3.53700%	67% 1-Week LIBOR	4,259,390.88 (8,764,218.34)	2,633,796.75 (2,587,971.57)	5,641,625.63 (13,483,403.64)
	Option to Cancel NUUS301RCO	NJTTF	62,500,000	1/30/2003	12/15/2011	3.67500%	67% 1-Week LIBOR	6,129,303.34 (7,510,238.62)	4,197,887.67 (858,299.95)	7,620,517.59 (13,090,808.56)
	Option to Cancel NUUS301RFO	NJTTF	62,500,000	1/30/2003	12/15/2011	3.67500%	67% 1-Week LIBOR	5,617,056.62 (7,510,238.62)	3,417,498.10 (858,299.95)	7,516,856.08 (13,090,808.56)
	Option to Cancel				12/15/2011			5,617,056.62	3,417,498.10	7,516,856.08
			<u>662,754,166.30</u>					<u>(67,245,027.66)</u>	<u>11,420,832.44</u>	<u>(136,194,807.28)</u>
Ixis Financial Products										
	86715CF	NJSCC	244,200,000	11/1/2008	9/1/2033	4.48900%	62% 1-Month LIBOR+ 40 bps	(42,587,484.57)	(10,662,688.29)	(70,837,458.98)

State of New Jersey
Interest Rate Swap Portfolio-Sensitivity Analysis
+/- 200 Basis Points
January 31, 2011

Counterparty	Swap Reference Number	Bond Issuer	Outstanding Notional Amount	Effective Date	Termination Date	Fixed Rate	Floating Index	MTM Value	+200 Basis Points MTM Value	-200 Basis Points MTM Value
Merrill Lynch	03MU00768	NJSCC	500,000,000	5/1/2010	3/1/2035	4.25100%	62% 1-Month LIBOR+ 40 bps	(77,636,837.32)	(42,828,256.31)	(110,368,291.72)
Morgan Stanley	AUBVJ	NJBA	24,025,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	(2,425,277.07)	(603,172.43)	(3,879,630.32)
	AUBVH	NJBA	10,305,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+ 20 basis points	(1,049,715.49)	(262,733.12)	(1,675,057.59)
			34,330,000					(3,474,992.56)	(865,905.55)	(5,554,687.91)
Royal Bank of Canada	1298694/1318099-1318161	NJSCC	150,073,333	5/1/2009	3/1/2034	4.51240%	62% 1-Month LIBOR+ 40 bps	(29,047,136.84)	(5,302,151.54)	(50,601,433.20)
UBS	7409526	NJSCC	64,322,500	9/1/2004	9/1/2029	4.06250%	71.13% 1-Month LIBOR	(9,438,081.99)	2,500,190.74	(20,248,670.96)
	7409549	NJSCC	74,572,500	3/1/2005	3/1/2030	4.17625%	74.24% 1-Month LIBOR	(9,952,352.05)	3,029,157.04	(21,604,812.18)
	37195818	NJSCC	116,097,500	9/1/2007	9/1/2032	4.39900%	71.57% 1-Month LIBOR	(22,235,581.97)	284,550.60	(42,707,735.60)
	43070848	NJSCC	380,515,000	5/1/2008	9/1/2015	3.03590%	75% 1-Month LIBOR	24,645,306.70	2,044,151.69	40,212,424.69
			635,507,500.00					(16,980,709.32)	7,858,050.07	(44,348,794.04)
Wachovia	211259	NJSCC	172,310,000	9/1/2004	9/1/2029	4.06250%	71.13% 1-Month LIBOR	(24,248,969.49)	2,162,543.99	(47,639,593.07)
	211260	NJSCC	223,417,500	3/1/2005	3/1/2030	4.17625%	74.24% 1-Month LIBOR	(29,358,444.91)	1,866,398.36	(56,530,636.13)
	210685	NJSCC	179,042,500	3/1/2006	3/1/2031	4.29590%	70.80% 1-Month LIBOR	(30,501,568.67)	(1,598,542.42)	(56,280,235.45)
			574,770,000					(84,108,983.07)	2,430,399.93	(160,450,464.64)
Totals			3,361,610,833.10					(409,727,070.64)	(59,219,491.55)	(729,078,788.62)

LAMONT

Investment Advisers Corporation

January 20, 2011

The Honorable Andrew P. Sidamon-Eristoff, State Treasurer

125 West State Street

State of New Jersey

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New Jersey Economic Development Authority

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Lamont Investment Advisers Corporation (“Lamont”) is the swap consultant to the State of New Jersey (the “State”) and the New Jersey Economic Development Authority (the “Authority”). In this capacity, Lamont assisted the Authority with the partial termination of eight (8) interest rate swap agreements, of which three (3) are between the Authority and Goldman Sachs Mitsui Marine Products, L.P. (“Goldman Sachs”); three (3) are between the Authority and UBS AG (“UBS”); one (1) is between the Authority and Deutsche Bank AG (“Deutsche Bank”); and one (1) is between the Authority and Royal Bank of Canada (“RBC”) (collectively, the “Partial Terminations”). The total Notional Amount of interest rate swap agreements being terminated is \$784,824,167, and the total amount of swap termination payments to be made by the Authority in order to effectuate the Partial Terminations, excluding accrued interest, is \$122,446,420.

The Partial Terminations are being undertaken simultaneously with the issuance by the Authority of its School Facilities Construction Refunding Bonds, 2011 Series EE in the aggregate principal amount of \$777,260,000 (the “2011 Series EE Bonds”), its School Facilities Construction Refunding Bonds, 2011 Series FF (Federally Taxable) in the aggregate principal amount of \$123,220,000 (the “2011 Series FF Bonds”), its School Facilities Construction Refunding Notes, 2011 Series C (SIFMA Index Notes) in the aggregate principal amount of \$65,620,000 (the “2011 Series C Notes”) and its School Facilities Construction Refunding Notes, 2011 Series D (LIBOR Index Notes) in the aggregate principal amount of \$150,000,000 (the “2011 Series D Notes” and collectively with the 2011 Series EE Bonds, the 2011 Series FF Bonds and the 2011 Series C Notes, the “2011 Series Bonds and Notes” and, together with the Partial Terminations, the “Transaction”). The Transaction will refund \$1,000,450,000 of the Authority’s School Facilities Construction Bond portfolio and provide for the Partial Terminations. Merrill Lynch Pierce Fenner & Smith Incorporated, as Senior Managing Underwriter of the 2011 Series Bonds and Notes (the “Manager”), identified a total of 14 interest rate swap agreements as candidates for termination, and Lamont calculated the mid-market termination values for each of the identified candidates. Lamont conducted its pricing using internally developed models in conjunction with data and calculations from the Bloomberg Data Terminal’s “Swap Manager” for each notional maturity of the identified interest rate swap agreements and relayed those values to the Manager for entry into a program developed and

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run by the Manager specifically to structure the Transaction. Lamont was not hired to be the financial advisor to the Transaction, and its scope of work was limited to negotiating partial or full swap terminations with each of the counterparties of the 14 interest rate swap agreements that were under consideration in the Transaction. The candidates which were ultimately selected to be terminated in connection with the Transaction were selected via the model developed and run by the Manager.

In order to obtain the most beneficial results to the Authority and the State, Lamont opened discussions with Ixis Financial Products Inc. (“Ixis”), Merrill Lynch Capital Services (“MLCS”), Bank of America, N.A. (“BANA”), Wachovia Bank N.A. (“Wachovia”), Deutsche Bank, Goldman Sachs, UBS and RBC (together, the “Counterparties”) during the second half of December 2010. In an effort to encourage the Counterparties to provide the State with their best bids, Lamont explained to the Counterparties that the selection of candidates to terminate would be dependent upon: the spread or discount to mid-market pricing that the Counterparties offered to terminate the candidates for termination at the time of the Transaction; the various costs of funds in the Transaction; and the results of the model pursuant to which the candidates for termination were being selected. Lamont informed each Counterparty that the Transaction would be structured to be present value neutral or to generate a present value savings. Lamont further informed each of the Counterparties that there was analysis being conducted which monitored each of the interest rate markets (LIBOR, Treasuries, and Tax-Exempt) that were pertinent to the Transaction. Lamont encouraged each of the Counterparties to “put their best foot forward” and to consider discounts to mid-market rates as a further incentive to have candidates from their swap agreements terminated over other candidates. Lamont made it clear that the Counterparties that offered the best preliminary pricing would have the best chance of having their interest rate swap agreements terminated, in whole or in part.

The Counterparties also were told that any termination payments due to the Counterparties by the Authority would be paid from the proceeds of the 2011 Series FF Bonds upon closing on January 20, 2011. In order to retain the Authority’s flexibility in the unlikely event of a failure or delay in the closing of the 2011 Series FF Bonds and yet achieve the best pricing possible, a re-instatement mechanism was added to the negotiated swap term sheets with each Counterparty (the “Term Sheets”). The re-instatement mechanism provided that, if the 2011 Series FF Bonds were not issued, the fixed rate payable by the Authority to the respective Counterparty would be adjusted up or down, depending on market movements, and such Counterparty’s costs for reinstating their respective interest rate swap agreement, defined as their “Loss”, would be recoverable, but would be capped at one basis point (0.01%). Each of the Counterparties accepted the re-instatement mechanism. This provision allowed the Counterparties to provide better pricing to the State and the Authority and protected the State and the Authority from disputes about losses claimed by the Counterparties if the 2011 Series FF Bonds were not issued.

Procedures for Termination

Each of the Counterparties provided an indication of their best pricing for terminating their swap notional candidates by close of business on January 6, 2011. UBS and Goldman Sachs provided pricing indications that were a discount from mid-market rates, while MLCS and BANA provided pricing indications that were no spread (zero basis points) to mid-market rates. The pricing indications received from the remaining Counterparties ranged from mid-market plus one (1) basis point to plus three (3) basis points. These spreads generally included legal and hedging costs as well as an amount for profit. Lamont has separately provided Fairness Opinions for each of the partially terminated swap agreements stating that the spreads charged, if applicable, were within reason and in line with spreads that would normally be expected from a similar transaction. Leading up to the Partial Terminations, Lamont conducted several “dry-runs” with each Counterparty to obtain estimates of the partial termination values so that all parties agreed on market levels. These dry runs were conducted until the partial termination went “live” to prevent any surprises upon execution.

Leading up to the Partial Terminations, certain Counterparties asked for guidance regarding how much of a discount to mid-market pricing they would need to bid to maximize the swap notional amount terminated. While providing such guidance may have enabled the State to get a better price from one Counterparty, Lamont has a duty to keep the bids confidential from each of the Counterparties’ swap desks, and Lamont maintained such confidentiality. Lamont requested that each Counterparty provide the best bid possible.

Lamont and the Manager had daily telephonic discussions to exchange feedback on the candidates for Partial Termination, the Counterparties, as well as any timing issues that needed to be addressed for the best possible execution of the Transaction. Lamont, in conjunction with the Manager, developed a strategy to execute the Partial Terminations in three (3) different groups, giving the highest priority to Counterparties who provided the best bid, had notional amounts regularly of value to the overall Transaction and in such size as to allow an efficient pricing over the course of the day. Lamont conducted several “dry-runs” with the Manager leading up to the Partial Terminations and determined upon execution that group 1 would consist of Deutsche Bank, RBC, UBS and Goldman Sachs; group 2 would consist of BANA, MLCS and Ixis; and group 3 would include Wachovia. While these groups were ultimately chosen based upon pricing indications, among other factors, that is, giving priority to the best bids which were provided by Goldman Sachs and UBS, consideration was also given to RBC and Deutsche Bank because selection of the candidates from their swap agreements improved overall results of the Transaction. The RBC and Deutsche Bank candidates were not as sensitive to market movements during Transaction execution as the remaining swap agreements were. Before the Partial Terminations were executed, the Manager provided Lamont with final amortization schedules to be forwarded to each Counterparty in group 1. Lamont forwarded these amortization schedules to UBS, Goldman Sachs, RBC and Deutsche Bank and reconciled, or “tied-out”, on anticipated pricing one final

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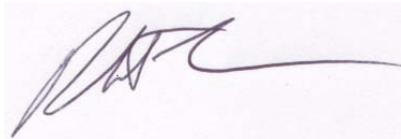
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time with each, to again ensure there were no surprises upon execution of the Partial Terminations. Between 9:45AM and 10:45AM on January 12, 2011, Tim Martin and Robert Lamb of Lamont, in consultation with John Rosenfeld, an Authorized Officer of the Authority, and James Petrino, Director of the New Jersey Office of Public Finance, executed the Partial Terminations on each of the swap agreements with UBS, Goldman Sachs, RBC and Deutsche Bank. Lamont then forwarded the partial termination values to the Manager to perform another iteration of analysis given this and other market information. Upon getting feedback from the Manager on the Transaction, Lamont was informed that Lamont would not be moving forward on group 2 (BANA, MLCS and Ixis) or group 3 (Wachovia). Lamont then informed each of the remaining Counterparties that additional terminations would not occur unless further notice was given. Ultimately, no more swap agreements were partially terminated and the final notional amount that was terminated was \$784,824,167. The total cost of the Partial Terminations, excluding accrued interest, was \$122,446,420, to be paid from the proceeds of the 2011 Series FF Bonds, which are being issued on January 20, 2011. Lamont has provided Fairness Opinions to the State and the Authority stating it performed an independent valuation of each of the swap agreements and concluded the partial termination value of each was fairly priced and consistent with partial termination values that would normally be expected from the negotiated terms of the termination and market conditions at the time.

Very truly yours,

LAMONT INVESTMENT ADVISERS CORPORATION

By:



Robert Lamb
President