



# EXCEEDING EXPECTATIONS

A QUARTERLY REPORT OF NW FINANCIAL GROUP

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## NW Highlights



THANK YOU to all who participated in the annual Golf Outing, making it truly a success!



Look forward to the NW Wine Tasting Event happening in the fall this year.



Keep on the look-out for our newly renovated website coming Summer 2005. Bookmark [www.nwfinancial.com](http://www.nwfinancial.com) on your browser.

## HUD LEVERAGING PROGRAM TAKES NW ACROSS THE COUNTRY



For the first time Public Housing Authorities (PHA's) are authorized to borrow funds for capital improvements and use annual capital funding received from HUD to pay the debt service on the financing through a program called the PHA Capital Leveraging Program. Authorized by Congress in the Quality Housing and Work Responsibility Act, leveraging is secured by the pledge of future capital appropriations from Congress for a term of up to 20 years.

The HUD Capital Leveraging Funds provide PHA's with the opportunity to perform long-term modernization in a single phase. By pledging a portion of the current and future years capital fund allocations as collateral for the fi-

ancing, PHA's can perform much needed major renovation and improvements today.

Prior to the financing, each PHA is required to have a Management Assessment prepared and submitted to HUD. NW Financial Group is one of only two companies that has been approved by HUD to prepare these Assessments.

Last year, NW Financial Group worked with the Morristown Housing Authority and 20 other authorities in New Jersey. In 2005, NW is working on a second round of financings in New Jersey led by the Secaucus Housing Authority.

Most significantly, NW is taking the experience and knowledge gained to PHA's

across the country.

NW was recently

hired by the Pineland Housing Authority, in Pineland, TX.

The NW professionals have the task of gathering detailed information on the current state of the authority and its improvement needs. The team will also review the Authority's modernization plans once the funding is received. A final assessment will be submitted to HUD with a summary of the information and a final recommendation.

NW is excited about the opportunity to expand its geographical bounds and eager for more opportunities to arise. ■

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## RAHWAY SEWERAGE AUTHORITY USES UNIQUE NJEIT FUNDING

The Rahway Valley Sewerage Authority's Long-term Capital Improvement Program was developed to fix the Authority's recurring sewer overflows through the construction of a power generating sludge drying facility and major upgrades to the existing sewerage plant. The estimated total cost of the Capital Improvement Program is approximately \$224,000,000 of which 95% of the cost relates to projects required by the New Jersey Department of Environmental Protection. The Authority has turned to the New Jersey Environmental Infrastructure Trust and the New Jersey Environmental Infrastructure Financing Program to obtain permanent financing for a substantial portion of the Capital Improvement Program.

NW Financial has acted as financial advisor for numerous borrowers financing their projects through the

NJEIT. The Environmental Infrastructure Financing Program was created for the express purpose of providing low cost funding for the construction and rehabilitation of sewer, drinking water and pollution control projects across New Jersey. Over the years the program has expanded, and now virtually any Clean Water or Safe Drinking Water project is eligible to apply for this type of loan.

The Trust provides two means for maximizing its mission. The program maximizes the impact of federal grants through a leveraging process that effectively doubles the amount of money available for the projects at a substantially reduced rate while also reducing the overall cost to the borrowers through economies of scale and direct assistance to the participants in the program. Participants are able to borrow from one half up to three quarters of the cost of their project from the State

Revolving Fund maintained by the NJ Department of Environmental Protection at zero interest and obtain the balance from long term bonds issued by the Trust. This results in lower user rates and overall service charges to the people of New Jersey due to the savings.

Further cost-saving features have also been installed by the Trust to cover those expenses that go beyond engineering, design, and construction costs, consequently reducing the amount of money a participant must borrow.

The Rahway Valley Sewerage Authority closed on a \$25.1 million loan issued in November 2003 under the NJEIT Program and on another for \$128,792,462 in November 2004. The Authority plans to apply to participate in the NJEIT loan program again in 2005 for approximately \$36.3 million of financing. ■



**“... the Authority expects the refunding to generate net present value savings of \$30 million.”**

## NEW JERSEY TURNPIKE AUTHORITY ‘CINDERELLA BONDS’

The New Jersey Turnpike Authority recently marketed \$750 million of bonds, \$200 million of which have the unique ability to change into taxable debt and then back to tax-exempt securities—more commonly known as ‘Cinderella Bonds.’

Dennis Enright, principal at NW Financial Group, explained to *The Bond Buyer*, the daily newspaper of Public Finance, “This is where you already have tax-exempt bonds that have already been refunded once. We refund them as

taxable until the date on which the call kicks in, then we current refund them as tax exempt. That is why they are called Cinderella bonds. They go from tax exempt to taxable, which is ugly, back to tax exempt again.”

Enright said the Authority expects the refunding to generate net present value savings of \$30 million. That would be used to pay for the restructuring, and would still leave the authority in today's market a net present value savings of \$6 million to \$7 million.

The New Jersey Turnpike Authority is planning a major project to expand the Turnpike roadway below Exit 8, which is expected to cost \$1-\$1.5 billion. This deal will help to reduce the financial pressure associated with major debt service due to projects such as this one. In fact, the Authority was not even in the market for such a project until the deal came about.

NW Financial Group acts as the Financial Advisor to the New Jersey Turnpike Authority. ■

RECENT NW TRANSACTIONS

**\$746,295,000**

**New Jersey Turnpike Authority**  
In the State of New Jersey

**Turnpike Revenue Bonds**

**NW Financial**  
*Financial Advisor*

**\$677,465,000**

**New Jersey Economic Development Authority**  
In the State of New Jersey

**School Facilities Construction Refunding Bonds**

**NW Capital**  
*Underwriter*

**\$83,510,000**

**County of Essex**  
In the State of New Jersey

**General Obligation Bonds**

**NW Financial**  
*Financial Advisor*

**\$45,710,000**

**Mercer County Improvement Authority**  
In the State of New Jersey

**Series 2005 A and B Bonds**

**NW Capital**  
*Underwriter*

**\$65,000,000**

**Passaic County Improvement Authority**  
In the State of New Jersey

**Preakness Healthcare Center Expansion Project Lease Revenue Bonds**

**NW Financial**  
*Financial Advisor*

**\$15,970,000**

**Bergen County Utilities Authority**  
In the State of New Jersey

**Water Pollution Control System Revenue Bonds**

**NW Capital**  
*Underwriter*

**“Catering to all of your financial needs by putting client service first.”**

-NW Financial Group founding principle

THE FACES OF NW FINANCIAL:  
CONTINUALLY RESTRUCTURING AND IMPROVING

There have been many changes recently within NW Financial in terms of corporate structure. There are new members who have joined the team, a few that have left, and others who have moved within the office. Take a look further to see what has been happening at Exchange Place.

**Who’s making a move?**  
**Dan Mariniello** has recently moved from the **Managing Director** position to **President**. Dan is taking on a much larger role to use his management skills to the benefit of the entire company.

**New Associates:**  
Most recently, **Erik Sondersted**, an MBA student at Carnegie Melon joins NW as a summer intern. He brings over four years of prestigious equity analysis experience to NW and is a certified equity trader with his Series 7 and Series 55 licenses. **Elizabeth Tutrone** joined NW at the start of June after graduating from Villanova University with a major in Finance and International Business. She joins the NW team as **Marketing Coordinator**. Her educational background and fresh ideas offer a great asset to the future of NW Financial. Also, Jonathan Gerst, a finance major at the

University of Richmond, joins the NW team as a summer intern. NW provides a great learning environment and will offer him a wonderful experience for the months to come.

**Saying Goodbye...**  
...to **Josh Taube, VP, Dave Bonomo, Senior VP,** and **Jessica Fielder, Marketing Coordinator** have left NW to pursue their careers in other areas. We wish them the best of luck and thank them for their hard work and contributions.

NW wishes its associates much success. ■

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Please submit questions and comments to *Exceeding Expectations* at [et@nwfinancial.com](mailto:et@nwfinancial.com).

**MARK YOUR CALENDARS!**

*Dates to Remember:*

- ◆ September 22, 2005 Wine Tasting Event
- ◆ September 27-28, 2005 Governors Housing Conference, Atlantic City
- ◆ October 9-10, 2005 NAHRO Convention, Chicago
- ◆ November 14-17, 2005 League of Municipalities, Atlantic City



**RECENT INTEREST RATE INFORMATION**

AS OF JUNE 30, 2005

	US Treasuries	Taxable Municipal Insured AAA (National)	Tax-Exempt Municipal Insured AAA (National)	Short Term Index	
2 year	3.625	3.92	2.71	BMA (1 month)	2.54
3 year	3.653	4.02	2.82	Libor (1 year)	3.88
5 year	3.724	4.20	3.03		
10 year	3.958	4.56	3.59	<b>Bond Buyer Municipal Index</b>	
20 year	4.310	4.90	4.20	20 Year Bonds	4.23
30 year	4.256	4.95	4.32	Revenue Bonds	4.76