



U.S. Department
of Transportation
**Federal Transit
Administration**

Headquarters

1200 New Jersey Avenue SE
Washington, DC 20590
(202) 366-4050
(202) 366-7989 (fax)

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

November 24, 2010

Mr. James Weinstein
Executive Director
New Jersey Transit
1 Penn Plaza East
Newark, NJ 07105

Re: Notification of Outstanding Debt and Demand for Payment

Dear Mr. Weinstein:

This letter serves as a formal demand for payment of a debt to the United States. Information regarding this debt was previously forwarded to New Jersey Transit (NJT) in a letter from the Federal Transit Administration (FTA) Regional Administrator Brigid Hynes-Cherin on November 8, 2010. NJT is hereby notified that it owes a debt to the United States in the amount of **\$271,101,291**. FTA demands payment in full within thirty days from the date of this letter, hereinafter referred to as the "delinquency date."

The basis for the indebtedness is as follows:

1) Termination of the Access to the Region's Core (ARC) Project

Based on Governor Christie's statements during his announcement on October 27, 2010, and your agency's issuance of termination notices to third-party contractors the following day, the FTA has determined that NJT has terminated the Access to the Region's Core (ARC) project.

2) Authority to Collect Funds

In accordance with 49 U.S.C. Section 5309(g)(3)(B)(iv) NJT must immediately repay all Federal financial assistance expended for ARC under the Early Systems Work Agreement (ESWA). FTA is initiating action to deobligate and recover all Federal funding for the ARC project, including funds provided pursuant to the ESWA governing the project.

3) Repayment Amount -- \$271,101,291

Under the ESWA, which was issued in August 2009 and amended in April 2010, more than \$348 million in Federal funds were obligated for ARC. FTA will deobligate \$77,185,709 that NJT has not yet expended.

NJT has thirty days from the date of this letter to pay this debt in full; otherwise the debt will become delinquent. If the debt becomes delinquent, FTA shall charge interest on the delinquent debt at the Treasury Current Value of Funds Rate published by the Secretary of the Treasury in accordance with Title 31 of the United States Code Section 3717, unless FTA determines that a higher rate is necessary to protect the interest of the United States. FTA shall charge a late payment penalty at a rate of six percent per year on any portion of the debt that is more than ninety days past due. FTA shall assess administrative charges to cover costs incurred in processing and handling the debt beyond the delinquency date identified above.

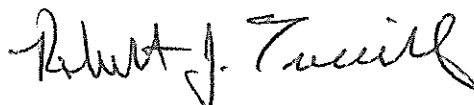
If the debt becomes delinquent, FTA may report this claim to commercial credit bureaus (or appropriate bond rating agencies). FTA retains all rights to forward this claim to the United States Department of Justice for collection of the debt.

NJT has the right to request review of the validity or amount of FTA's claim within thirty days of receipt of this letter. If NJT requests a review, then NJT shall state the basis for the dispute and provide all factual information, documents, citation to authority, argument, and any other matters for FTA's consideration. If NJT disputes only part of the debt, then NJT shall pay the undisputed portion by the delinquency date. If NJT admits liability in whole or in part, then NJT may propose remedial action, including a repayment plan, subject to FTA's approval. NJT has the right to inspect and copy FTA records related to this claim, with any reasonable costs of copying and inspection to be borne by NJT.

Please know that FTA reserves the right to collect this debt through administrative offset, should it be necessary. NJT has the right to make voluntary payment of the debt in full, including all interest, administrative charges, and penalties, before FTA begins collection by administrative offset.

If you have any questions, concerns, or comments regarding this matter, please contact me.

Sincerely,



Robert J. Tuccillo
Associate Administrator/Chief Financial Officer
Office of Budget and Policy