This is a Preliminary Official Statement and the information contained herein is subject to completion and amendment in a final Official Statement. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities offered hereby in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities law of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 9, 2014

NEW ISSUE – BOOK-ENTRY ONLY

Fitch: ____
Moody's: ____
S&P: ____
(See "RATINGS" herein)

$203,355,000*
NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
HIGHER EDUCATION FACILITIES TRUST FUND BONDS, SERIES 2014

Dated: Date of Delivery **Due: As Shown on the Inside Front Cover**

This Official Statement has been prepared by the New Jersey Educational Facilities Authority (the "Authority") to provide information on its $203,355,000* Higher Education Facilities Trust Fund Bonds, Series 2014 (the "Series 2014 Bonds"). Selected information is presented on this cover page for the convenience of the user. **To make an informed investment decision regarding the Series 2014 Bonds, a prospective investor should review this Official Statement, including all Appendices attached hereto, in its entirety.**

Tax Matters: In the opinion of Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Series 2014 Bonds and subject to certain provisions of the Code which are described below, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Series 2014 Bonds, interest received by holders of the Series 2014 Bonds will be excludable from gross income for federal income tax purposes and will not be treated as a tax preference item for purposes of the alternative minimum tax imposed by Section 55 of the Code. However, interest on the Series 2014 Bonds may become taxable retroactively if certain requirements of the Code are not complied with. For certain corporate holders, interest on the Series 2014 Bonds will be taken into account in the calculation of such holders' alternative minimum tax liability. Bond Counsel is of the opinion, based upon existing statutes and judicial decisions, that interest on the Series 2014 Bonds and net gains from the sale of the Series 2014 Bonds are not included as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein for a description of certain other provisions of the Code that may affect the federal tax treatment of interest on the Series 2014 Bonds.

Redemption: The Series 2014 Bonds maturing on or after June 15, 2025 are subject to optional redemption prior to maturity and may be subject to mandatory sinking fund redemption, as described herein. See "DESCRIPTION OF THE SERIES 2014 BONDS – Optional Redemption" and "- Mandatory Sinking Fund Redemption" herein.

Authorization: The Authority is issuing the Series 2014 Bonds pursuant to the Higher Education Facilities Trust Fund Act, as amended and supplemented (collectively, the "Trust Fund Act"), and the New Jersey Educational Facilities Authority Law, as amended and supplemented (collectively, the "Act"), and pursuant to the Authority's Higher Education Facilities Trust Fund General Bond Resolution adopted on November 15, 1995, as amended and supplemented to date (the "Bond Resolution"), including as supplemented by the Authority's Third Supplemental Higher Education Facilities Trust Fund Resolution adopted on August 13, 2014 (the "Third Supplemental Resolution"), and a certificate executed by an Authorized Authority Representative as of the date of sale of the Series 2014 Bonds (the "Series Certificate," and collectively with the Bond Resolution and the Third Supplemental Resolution, the "Resolution").

Security: **THE SERIES 2014 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM AND SECURED BY A PLEDGE OF AND LIEN ON THE TRUST FUND (AS DEFINED IN THE RESOLUTION) AND OTHER FUNDS HELD UNDER THE RESOLUTION, EQUALLY AND RATABLY WITH ANY ADDITIONAL BONDS TO BE ISSUED AS PERMITTED BY THE RESOLUTION. THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF AND INTEREST ON THE SERIES 2014 BONDS IS TO BE DERIVED FROM PAYMENTS MADE BY THE STATE OF NEW JERSEY (THE "STATE") TO THE AUTHORITY PURSUANT TO THE TRUST FUND ACT AND AMOUNTS HELD UNDER THE RESOLUTION. THE OBLIGATION OF THE STATE TO MAKE SUCH PAYMENTS IS SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE NEW JERSEY STATE LEGISLATURE (THE "STATE LEGISLATURE"). THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS.** See "SECURITY FOR THE SERIES 2014 BONDS" herein.

THE SERIES 2014 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE SERIES 2014 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR THE INTEREST ON THE SERIES 2014 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Purposes: The Series 2014 Bonds are being issued for the purposes of (i) making grants to public and private institutions of higher education in the State to pay all or a portion of the cost of the construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication and research facilities and (ii) paying the costs of issuing the Series 2014 Bonds.

Initial Rates and Yields: As shown on the inside front cover.

Interest Payment Dates: Interest on the Series 2014 Bonds is payable on June 15 and December 15, payable initially on June 15, 2015.

Denominations: The Series 2014 Bonds will be issued in denominations of $5,000 or any integral multiple thereof.

Trustee: The Bank of New York Mellon, Woodland Park, New Jersey.

Issuer Contact: New Jersey Educational Facilities Authority, 103 College Road East, Princeton, New Jersey 08540, (609) 987-0880.

Book-Entry Only: The Depository Trust Company ("DTC"), New York, New York.

The Series 2014 Bonds are offered when, as and if delivered and subject to the receipt of the approving legal opinion of GluckWalrath LLP, Trenton, New Jersey, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by the Attorney General of the State, General Counsel to the Authority. The Series 2014 Bonds in definitive form are expected to be available for delivery through DTC in New York, New York on or about September 24, 2014.

**Preliminary, subject to change.*

Official Statement dated: September __, 2014

$203,355,000*
NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
HIGHER EDUCATION FACILITIES TRUST FUND BONDS, SERIES 2014

MATURITY SCHEDULE*

Maturity Date (June 15)*	Principal Amount*	Interest Rate	Yield	CUSIP**
2016	$11,160,000	%	%	
2017	11,495,000			
2018	11,840,000			
2019	12,195,000			
2020	12,680,000			
2021	13,190,000			
2022	13,715,000			
2023	14,405,000			
2024	15,120,000			
2025	15,880,000			
2026	16,675,000			
2027	17,505,000			
2028	18,380,000			
2029	19,115,000			

* Preliminary, subject to change.

** Registered trademark of American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2014 Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2014 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2014 Bonds.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2014 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement in connection with the offering of the Series 2014 Bonds and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of the Series 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Certain information contained herein has been obtained from the State and other sources which are believed to be reliable. However, it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation of the Authority. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sales made hereunder shall, under any circumstances, create any implication that there has been no change in such information since the date thereof. The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from DTC, and the Authority takes no responsibility for the accuracy thereof. Such information has not been independently verified by the Authority and the Authority makes no representation as to the accuracy or completeness of such information.

There follows in this Official Statement certain information concerning the Authority, together with descriptions of the terms of the Series 2014 Bonds, the principal documents related to the security for the Series 2014 Bonds and certain applicable laws. All references herein to laws and documents are qualified in their entirety by reference to such laws, as in effect, and to each such document as such document has been or will be executed and delivered on or prior to the date of issuance of the Series 2014 Bonds, and all references to the Series 2014 Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Resolution (as defined herein).

The Series 2014 Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Series 2014 Bonds and the security therefor, including an analysis of the risks involved. The Series 2014 Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the Series 2014 Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the Series 2014 Bonds have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the Series 2014 Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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OFFICIAL STATEMENT
relating to

$203,355,000*
NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

HIGHER EDUCATION FACILITIES TRUST FUND BONDS, SERIES 2014

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement (which includes the cover page, the inside cover page and the Appendices hereto) is to furnish information concerning the New Jersey Educational Facilities Authority (the "Authority") and the Authority's $203,355,000* Higher Education Facilities Trust Fund Bonds, Series 2014 (the "Series 2014 Bonds"). The Series 2014 Bonds are being issued under and pursuant to the Higher Education Facilities Trust Fund Act, being Chapter 375 of the Laws of the State of New Jersey (the "State") of 1993, as amended and supplemented by Chapter 146 of the Laws of the State of 1995, Chapter 308 of the Laws of the State of 2009 and Chapter 42 of the Laws of the State of 2012 (collectively, the "Trust Fund Act"), which amended and supplemented the New Jersey Educational Facilities Authority Law, being Chapter 271 of the Laws of the State of 1967, as amended and supplemented (collectively, the "Act"), and under and pursuant to the Authority's Higher Education Facilities Trust Fund General Bond Resolution adopted on November 15, 1995, as amended and supplemented to date (the "Bond Resolution"), including as supplemented by the Authority's Third Supplemental Higher Education Facilities Trust Fund Resolution adopted on August 13, 2014 (the "Third Supplemental Resolution"), authorizing the issuance of the Series 2014 Bonds, and a certificate executed by an Authorized Authority Representative as of the date of sale of the Series 2014 Bonds (the "Series Certificate," and collectively with the Bond Resolution and the Third Supplemental Resolution, the "Resolution").

The Series 2014 Bonds and any additional Series of Bonds hereafter issued under the Bond Resolution shall be collectively referred to as the "Bonds." The Bank of New York Mellon, Woodland Park, New Jersey, will act as trustee (the "Trustee") under the Resolution. For definitions of certain capitalized words and terms used in this Official Statement and not otherwise defined herein, see APPENDIX II – "BOND RESOLUTION AND THE THIRD SUPPLEMENTAL RESOLUTION" hereto.

The information contained in this Official Statement has been prepared under the direction of the Authority for use in connection with the sale and delivery of the Series 2014 Bonds.

Authority for Issuance

The Series 2014 Bonds are being issued pursuant to the Trust Fund Act. The Trust Fund Act amended and supplemented the Act. The Act, among other things, empowers the Authority to issue its revenue bonds, notes and other obligations to obtain funds to finance and refinance eligible educational facilities as may be required or convenient for the purposes of public or private institutions of higher education located in the State. The Trust Fund Act, among other things, empowers the Authority to issue

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*Preliminary, subject to change.

its obligations and to make grants (the "Grants") to participating private and public institutions of higher education in the State (each, an "Institution" and collectively, the "Institutions of Higher Education") for the purpose of financing the construction, reconstruction, development, extension and improvement of instructional, laboratory, communication and research facilities (the "Facilities"), and to issue refunding bonds to refinance such obligations.

Purposes and Use of Proceeds

The Series 2014 Bonds are being issued to (i) provide funds to make Grants to Institutions of Higher Education for the purpose of paying the cost, or a portion of the cost, of certain Facilities authorized in accordance with the Trust Fund Act and (ii) pay the costs of issuing the Series 2014 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security

The Series 2014 Bonds are payable solely from funds received by the Authority from the Revenues and other moneys, securities and funds which are held or set aside pursuant to the Resolution (except the Rebate Fund). "Revenues" is defined in the Resolution as moneys appropriated by the State and paid to the Authority for deposit in the Higher Education Facilities Trust Fund (the "Trust Fund") and all interest and investment earnings on moneys in the Trust Fund established under the Resolution, except amounts required to be deposited in the Rebate Fund. **THE PAYMENT OF ALL SUCH FUNDS TO THE AUTHORITY IS BEING MADE FROM TIME TO TIME BY THE NEW JERSEY STATE LEGISLATURE (THE "STATE LEGISLATURE"). THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS.**

The Authority shall request in each State fiscal year, in time to be included in the Governor's budget message to the State Legislature for the ensuing State fiscal year, an appropriation of all amounts necessary for payment of Debt Service on the Bonds, including the Series 2014 Bonds. If such amount is not included in the enacted General Appropriations Act of the State for such ensuing State fiscal year, the Authority shall request the Governor to ask the State Legislature for a supplemental appropriation of such amount. The Authority shall give the Trustee prompt written notice of: (i) any failure of the State to include an appropriation for such Debt Service in any General Appropriations Act and (ii) the enactment of any such supplemental appropriation.

The Series 2014 Bonds are special and limited obligations of the Authority payable from and secured by a pledge of and lien on the Trust Fund and other funds held under the Resolution, equally and ratably with any Additional Bonds to be issued as permitted by the Bond Resolution. The payment of the principal or redemption price, if any, of and interest on Series 2014 Bonds is to be derived from payments made by the State to the Authority pursuant to the Trust Fund Act and amounts held under the Resolution.

All references herein to the Trust Fund Act, the Act, the Bond Resolution, the Third Supplemental Resolution and the Series Certificate are qualified in their entirety by reference to the complete text of the Trust Fund Act, the Act, the Bond Resolution, the Third Supplemental Resolution and the Series Certificate, copies of which are available from the Authority, and all references to the Series 2014 Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Bond Resolution, the Third Supplemental Resolution and the Series Certificate.

There are no remedies available to the Bondholders in the event that the State Legislature does not appropriate sufficient funds to make payments in respect of Debt Service on the Series 2014 Bonds, nor is there any other significant source of monies from which payment on the Series 2014 Bonds could

be made. While the State Legislature has the legal authority to make appropriations, it has no obligation to do so. Neither the failure of the State Legislature to make such appropriations, nor non-payment of the Series 2014 Bonds as a result of such failure to appropriate, is an Event of Default under the Resolution or the Series 2014 Bonds and will not give rise to any rights or remedies against the State or the Authority. See "SECURITY FOR THE SERIES 2014 BONDS – Event of Non-Appropriation" herein.

No Pledge of Facilities

Although the proceeds of the Series 2014 Bonds will be used to fund all or a portion of the costs of Facilities to be undertaken by Institutions of Higher Education under the Trust Fund Act, the Facilities funded from the Grants will not secure or be available to pay the Series 2014 Bonds. See "SECURITY FOR THE SERIES 2014 BONDS" herein.

No Pledge of State's Credit

THE SERIES 2014 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE SERIES 2014 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR THE INTEREST ON THE SERIES 2014 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Additional Series of Bonds

The Authority may, with the prior written consent of the Treasurer of the State (the "State Treasurer"), issue additional Series of Bonds under the Trust Fund Act in a principal amount up to the maximum principal amount authorized under the Trust Fund Act, for the purpose of financing additional Grants. See "HIGHER EDUCATION FACILITIES TRUST FUND PROGRAM" herein. The additional Series of Bonds will be secured equally and ratably, without preference or priority, with the Series 2014 Bonds. See "SECURITY FOR THE SERIES 2014 BONDS" herein.

Refunding Bonds

One or more series of Refunding Bonds may be issued at any time, with the prior written consent of the State Treasurer, to refund outstanding Bonds of one or more Series or one or more maturities thereof. Refunding Bonds issued to refund prior obligations of the Authority shall be excluded from the calculation against the Statutory Debt Issuance Limit described under "SECURITY FOR THE SERIES 2014 BONDS – Statutory Debt Issuance Limit" herein, provided that the refunding shall be determined by the Authority to result in a debt service savings.

THE AUTHORITY

Powers of the Authority

The Authority was duly created under the Act as a public body corporate and politic constituting an instrumentality exercising public and essential governmental functions of the State. The Act

empowers the Authority, among other things, to make loans to public or private colleges and universities for the construction, improvement, acquisition, and refinancing of eligible projects in accordance with a lease agreement, a grant agreement, a loan agreement or a mortgage approved by the Authority. The Authority is also authorized to provide financing for capital improvements at qualified public libraries.

The Act provides that the Authority shall not be required to pay taxes or assessments upon any of the property acquired or used by it or under its jurisdiction, control, possession or supervision, or upon its activities in the operation and maintenance of the facilities acquired or constructed for any participating college or university or upon any moneys, revenues or other income received therefrom by the Authority.

Authority Organization and Membership

Under the Act and pursuant to Reorganization Plan 005-2011, the Authority membership consists of the State Treasurer, the Secretary of Higher Education, both *ex officio*, and five citizen members appointed by the Governor of the State (the "Governor") with the advice and consent of the Senate for terms of five years each. The Act provides that deputies of the *ex officio* members may be designated to act on their behalf. Members of the Authority whose terms have expired continue to serve on the Authority until their successors are appointed and qualified. The members of the Authority serve without compensation but are entitled to reimbursement of actual and necessary expenses incurred in the discharge of their official duties.

The present members and officers of the Authority, the dates of expiration of their terms as members, their business affiliations and places of residence are as follows:

Roger B. Jacobs, Esq., Chair; term as a member expires April 30, 2017; Partner, Jacobs Law Offices, LLC; Roseland, New Jersey.

Rochelle R. Hendricks, Vice-Chair, Secretary of Higher Education, *ex officio*.

Ridgeley Hutchinson; term as a member expires April 30, 2015; Executive Director, New Jersey Carpenters Apprentice Training and Educational Fund; Lambertville, New Jersey.

Joshua E. Hodes, Treasurer; term as a member expired April 30, 2014; Partner, Public Strategies Impact; Trenton, New Jersey.

Katherine M. Ungar; term as a member expires April 30, 2018; Manager of Business Relations for Executive Health Program, Atlantic Health System; Mendham, New Jersey.

Louis A. Rodriguez, P.E.; term as a member expires April 30, 2016; Engineering Consultant; Marlboro, New Jersey.

The Honorable Andrew P. Sidamon-Eristoff, Treasurer, State of New Jersey, *ex officio*.

Derek S. Hansel, Executive Director, serves as Secretary to the Authority.

Katherine A. Newell, Director of Risk Management, serves as an Assistant Secretary to the Authority.

Sheryl A. Stitt, Director of Legislative Strategy and Public Communications, serves as an Assistant Secretary to the Authority.

Marie P. Mueller, Controller, serves as the Assistant Treasurer to the Authority.

HIGHER EDUCATION FACILITIES TRUST FUND PROGRAM

The Trust Fund Act establishes the Higher Education Facilities Trust Fund (the "Trust Fund") in the Authority and authorizes the Authority to issue bonds, notes or other obligations in a total outstanding amount of $220,000,000, exclusive of certain Refunding Bonds, to finance making Grants to Institutions of Higher Education in the State (the "Program"). In accordance with the Trust Fund Act, the State Treasurer, subject to available appropriations, shall pay to the Authority the amount necessary to pay the principal and redemption price, if any, of and interest on the bonds or notes issued under the Program. See "SECURITY FOR THE SERIES 2014 BONDS" herein.

The Trust Fund is required to be used for Facilities within and among the State's Institutions of Higher Education. Each Institution shall use the Grants for Facilities.

The Trust Fund Act provides that the governing board of an Institution may determine, by resolution, to apply for a grant from the Trust Fund. Such application, describing the proposed Facilities to be financed, is to be filed with the Secretary of Higher Education (the "Secretary"), who has the power to approve or disapprove the grant. The Secretary must submit a copy of the written certification approving the grant to the State Legislature. If the State Legislature does not disapprove the grant within sixty (60) days by concurrent resolution, it is deemed approved.

On April 29, 2013, the Secretary certified a list of approved projects and award amounts to be financed pursuant to the Trust Fund Act (the "2013 Approved Projects") and submitted the list of 2013 Approved Projects to the State Legislature for review. The State Legislature did not adopt a concurrent resolution disapproving any of the 2013 Approved Projects during the statutorily prescribed sixty (60) day period; therefore, the 2013 Approved Projects are deemed approved by the State Legislature. The Series 2014 Bonds are being issued to finance the grants to be made for the 2013 Approved Projects (the "2013 Approved Grants"). The 2013 Approved Grants include financing for nineteen (19) public Institutions and four (4) private Institutions. The public Institutions whose Grants will be funded from the proceeds of the Series 2014 Bonds include the New Jersey Institute of Technology, Rutgers, the State University of New Jersey ("Rutgers"), University Hospital (a successor to the former University of Medicine and Dentistry of New Jersey), Kean University, New Jersey City University, Ramapo College of New Jersey, The College of New Jersey, Burlington County College, County College of Morris, Cumberland County College, Essex County College, Rowan College at Gloucester County, Hudson County Community College, Mercer County Community College, Middlesex County College, Ocean County College, Passaic County Community College, Raritan Valley Community College and Sussex County Community College. The private Institutions whose Grants will be funded from the proceeds of the 2014 Bonds include Drew University, Georgian Court University, Seton Hall University and Stevens Institute of Technology. The funding for University Hospital and a portion of the funding for Rutgers result from their status as successors to the former University of Medicine and Dentistry of New Jersey, which ceased to exist as of July 1, 2013 as part of a restructuring of the State's higher education system.

The Secretary may reduce or cancel any grant award if the Institution determines not to undertake the project, to adjust for actual project expenses in a manner consistent with the approved grant, or (subject to certain exceptions) if the project is not substantially completed and the grant substantially disbursed six months after the estimated construction completion date set forth in the grant application.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Series 2014 Bonds are expected to be as set forth below:

SOURCES OF FUNDS	
Par Amount of Series 2014 Bonds	$
Net Original Issue Premium	
Total Sources of Funds	$
USES OF FUNDS	
Deposit to Higher Education Facilities Trust Fund	$
Costs of Issuance [1]	
Underwriters' Compensation	
Total Uses of Funds	$

[1] Includes fees and expenses of Bond Counsel, Trustee, Rating Agencies and other issuance costs.

DESCRIPTION OF THE SERIES 2014 BONDS

General

The Series 2014 Bonds will initially be dated the date of delivery thereof, will bear interest at the respective rates per annum and mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2014 Bonds will accrue from their date of delivery and such interest will be payable initially on June 15, 2015, and semiannually thereafter on June 15 and December 15 of each year to and including their respective dates of maturity or redemption prior to maturity, and will be payable in lawful money of the United States of America. The Series 2014 Bonds will be payable as to principal or redemption price upon presentation or surrender thereof at the designated corporate trust office of The Bank of New York Mellon, Woodland Park, New Jersey, as Trustee.

The Series 2014 Bonds will be issued as fully registered bonds, and, when issued will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Purchases of beneficial interests in the Series 2014 Bonds will be made in book-entry only form, without certificates, in the denomination of $5,000, or any integral multiple thereof. Under certain circumstances, such beneficial interests may be exchangeable for one or more fully registered bonds of like principal amount, series and maturity in the denomination of $5,000, or any integral multiple thereof.

So long as DTC or its nominee is the registered owner of the Series 2014 Bonds, payments of the principal or redemption price, if any, of and interest on the Series 2014 Bonds will be made by the Trustee directly to Cede & Co. or a successor nominee. Disbursements of such payments to the DTC participants is the responsibility of DTC and disbursement of such payments to owners of beneficial interests in the Series 2014 Bonds is the responsibility of the DTC participants. See "DESCRIPTION OF THE SERIES 2014 BONDS – Book-Entry Only System" herein.

Optional Redemption

The Series 2014 Bonds maturing on or after June 15, 2025 are subject to redemption, in whole or in part (and if in part, in the maturities selected by the Authority), prior to maturity on or after June 15, 2024, at the option of the Authority, upon the consent of the State Treasurer, at a price of one hundred percent (100%) of the principal amount thereof (the "Redemption Price") and accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption

Certain of the Series 2014 Bonds may be subject to mandatory sinking fund redemption, as may be determined during the competitive sale of the Series 2014 Bonds. If so determined, the following provisions shall apply.

The Series 2014 Bonds maturing on June 15, 20__ and June 15, 20__ are subject to mandatory sinking fund redemption prior to their stated maturity, on June 15 in the years and in the amounts set forth in the table below, through selection by the Trustee at random, using its customary procedures, and upon the giving of notice as provided in the Resolution, at a redemption price of one hundred percent (100%) of the principal amount thereof and accrued interest thereon to the date fixed for redemption, from moneys deposited in the Sinking Fund established under the Resolution:

Bonds Maturing June 15, 20__		Bonds Maturing June 15, 20__	
Year	Amount	Year	Amount
	*		*

_____

* Final maturity.

Notice of Redemption

When the Trustee shall receive notice from the Authority of its election or direction to redeem any of the Series 2014 Bonds, and when redemption is authorized or required, the Trustee shall give notice, in the name of the Authority, of the redemption of such Series 2014 Bonds, which notice shall specify the maturities of the Series 2014 Bonds to be redeemed, the Redemption Price, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2014 Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2014 Bonds so to be redeemed, and, in the case of Series 2014 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Any notice of redemption (other than mandatory sinking fund redemption) may specify that the redemption is contingent upon the deposit of moneys with the Trustee in an amount sufficient to pay the Redemption Price of all Series 2014 Bonds or portions thereof which are to be redeemed on such date. Such notice shall further state that on such date there shall become due and payable upon each Series 2014 Bond to be redeemed the Redemption Price thereof, or the Redemption

Price of a specified portion of the principal amount thereof in the case of Series 2014 Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date (unless the notice stated that the redemption is contingent upon the deposit of funds and such deposit has not been made) interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to the registered owners of any Series 2014 Bonds or portions of Series 2014 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Any notice which is mailed in the manner provided in the Resolution shall be conclusively presumed to have been given, whether or not the Holder receives the notice.

Book-Entry Only System

This section describes how ownership of the Series 2014 Bonds is to be transferred and how the principal or redemption price, if any, of and interest on the Series 2014 Bonds are to be paid to and credited by DTC while the Series 2014 Bonds are registered in the name of Cede & Co., its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2014 Bonds, payment of principal, redemption price, if any, and interest and other payments with respect to the Series 2014 Bonds to Direct Participants (as defined below) or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in such Series 2014 Bonds and other related transactions by and among DTC, the Direct Participants and Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the Direct Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but instead confirm the same with DTC or the Direct Participants, as the case may be. Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority.

DTC will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One (1) fully-registered Series 2014 Bond certificate will be issued for each maturity of the Series 2014 Bonds, each in the aggregate principal amount of such maturity to be issued, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company

for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014 Bonds, except in the event that use of the Book-Entry Only System for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2014 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. Beneficial Owners of the Series 2014 Bonds may wish to ascertain that the nominee holding the Series 2014 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds within a particular maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price, if any, and interest payments on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2014 Bond certificates are required to be printed and delivered as provided in the Resolution.

The Authority may decide to discontinue the use of the system of book-entry only transfers through DTC (or a successor securities depository). In such event, Series 2014 Bond certificates will be printed and delivered as provided in the Resolution.

The Trustee and the Authority will recognize DTC or its nominee as the Series 2014 Bondholder for all purposes, including notices and voting, and so long as a book-entry only system is used, will send any notice of redemption or other notices to Series 2014 Bondholders only to DTC. Any failure of DTC to advise any DTC Participants, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2014 Bonds called for redemption or any other action premised on such notice.

The Trustee and the Authority cannot and do not give any assurance that DTC will distribute payments of debt service to DTC Participants or that the DTC Participants or others will distribute payments of debt service on the Series 2014 Bonds paid to DTC or its nominee, as the registered owner thereof, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE TO ANY DTC PARTICIPANT, ANY INDIRECT PARTICIPANT OR BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE SERIES 2014 BONDS; (3) THE DELIVERY OF ANY NOTICE TO ANY DTC PARTICIPANT, ANY INDIRECT PARTICIPANT OR BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE SERIES 2014 BONDS TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2014 BONDS, AS NOMINEE OF DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE OWNERS OR REGISTERED OWNERS OF THE SERIES 2014 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2014 BONDS. PAYMENT MADE BY

THE TRUSTEE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATIONS WITH RESPECT TO THE SERIES 2014 BONDS TO THE EXTENT OF SUCH PAYMENTS.

IT IS THE DUTY OF EACH BENEFICIAL OWNER TO ARRANGE WITH ITS DTC PARTICIPANT OR INDIRECT PARTICIPANT TO RECEIVE FROM SUCH DTC PARTICIPANT OR INDIRECT PARTICIPANT PAYMENTS OF PRINCIPAL AND INTEREST, CREDIT BALANCES AND ALL OTHER COMMUNICATIONS WHICH THE DTC PARTICIPANT OR INDIRECT PARTICIPANT RECEIVES FROM DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority does not take any responsibility for the accuracy thereof.

Discontinuance of Book-Entry Only System

In the event (i) DTC determines not to continue to act as securities depository for the Series 2014 Bonds, or (ii) the Authority, in its sole discretion and without the consent of any other person, determines to discontinue the use of the system of book-entry only transfers through DTC (or a successor depository) with respect to the Series 2014 Bonds, or (iii) the Authority and the Trustee receive written notice from DTC to the effect that DTC has received written notice from DTC participants or Indirect Participants having interests, as shown on the records of DTC, of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Series 2014 Bonds so registered in the name of Cede & Co., to the effect that (a) DTC is unable to discharge its responsibilities with respect to the Series 2014 Bonds or (b) a continuation of the requirement that all such Outstanding Series 2014 Bonds be registered in the registration books of the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of such Series 2014 Bonds, then the Authority will discontinue the Book-Entry Only system with DTC. Upon the occurrence of an event described in (i), (ii) or (iii) above, unless a successor depository is retained, the Trustee will authenticate and deliver the Series 2014 Bonds in accordance with the Resolution.

Negotiable Instruments

The Series 2014 Bonds issued pursuant to the Act and the Resolution are fully negotiable within the meaning of the Uniform Commercial Code of the State, subject only to provision for registration contained in the Series 2014 Bond.

SECURITY FOR THE SERIES 2014 BONDS

General

The Resolution provides, among other things, that: (i) such Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders, from time to time, of all Bonds; (ii) the security interest granted and the pledge and assignment made in the Resolution and the covenants and agreements therein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of all Bonds payable on a parity with the Series 2014 Bonds which, regardless of their times of issue or maturity, shall be of equal rank without preference, priority or distinction over any of the Bonds over any other thereof, except as expressly provided in or permitted by the Resolution; (iii) the Authority pledges the Revenues and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the terms of the Resolution except the Rebate Fund or which are held in any funds which are established and created under the

Resolution, to secure the payment of the principal or redemption price, if any, of, and interest on the Bonds; (iv) the pledge made by the Resolution is valid and binding from and after the date of the first delivery by the Trustee of the first Bond which is authenticated and delivered under the terms of the Resolution, and the Revenues and other moneys, securities and funds which are so pledged and which are thereafter received by the Authority, and any other moneys pledged by the Authority, shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. For a further description of the Resolution, see APPENDIX II – "BOND RESOLUTION AND THE THIRD SUPPLEMENTAL RESOLUTION" hereto.

The Authority may enter into a "Financing Facility" with respect to any Additional Bonds. The term "Financing Facility" includes any revolving credit agreement, agreement establishing a line of credit or letter of credit, reimbursement agreement, interest rate exchange agreement, insurance contract, surety bond, commitment to purchase or sell bonds, purchase or sale agreement, or commitments or other contracts or agreements, and other security agreements, including Swap Agreements, approved by the Authority and each Rating Agency which has issued a rating on the Series of Bonds to which such Financing Facility relates, in connection with the issuance of such Bonds. The Resolution does not currently provide for either the application of amounts payable by, or the security and payment of amounts payable to, the provider of any such Financing Facility. However, a Supplemental Resolution may hereafter be adopted for such purposes in connection with the issuance of a Financing Facility in support of any Bonds, without notice to or consent by the Bondholders, provided that the security and payment shall be on either a parity or subordinate basis vis-à-vis Debt Service.

Pledge Securing the Series 2014 Bonds

The Series 2014 Bonds are payable and secured on a parity with any Additional Bonds to be issued under the Resolution. All Bonds issued under the Resolution are special and limited obligations of the Authority payable solely from the Revenues pledged to their payment. Pursuant to the Resolution, all of such Revenues are pledged and assigned as security for the payment of the principal or redemption price, if any, of and interest on the Bonds issued under the Resolution, including the Series 2014 Bonds. All such Revenues shall immediately become subject to the lien of said pledge without any physical delivery thereof or further act, and such lien shall be valid and binding against all persons having claims of any kind in tort, contract or otherwise against the Authority. **THE PAYMENT OF ALL SUCH FUNDS TO THE AUTHORITY BY THE STATE IS SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE STATE LEGISLATURE. THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS. IF THE STATE FAILS TO APPROPRIATE THE REQUIRED AMOUNTS, THERE IS NO OTHER SOURCE OF PAYMENT FOR THE SERIES 2014 BONDS.**

The Authority shall request in each State fiscal year, in time to be included in the Governor's budget message to the State Legislature for the ensuing State fiscal year, an appropriation of all amounts necessary for payment of Debt Service, as defined in the Resolution, on the Bonds, including the Series 2014 Bonds. If such amount is not included in the enacted General Appropriations Act of the State for such ensuing State fiscal year, the Authority shall request the Governor to ask the State Legislature for a supplemental appropriation of such amount. The Authority shall give the Trustee prompt written notice of: (i) any failure by the State to include an appropriation for such Debt Service in any General Appropriations Act, and (ii) the enactment of any such supplemental appropriation. See APPENDIX II – "BOND RESOLUTION AND THE THIRD SUPPLEMENTAL RESOLUTION" hereto.

Pursuant to the Resolution, the pledge securing the payment of the principal or redemption price, if any, of and interest on the Series 2014 Bonds consists of the Revenues (as hereinafter defined), and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the terms of the Resolution or which are held in any funds (except the Rebate Fund) established and created under the Resolution.

Under the Resolution, "Revenues" means moneys appropriated by the State and paid to the Authority for deposit in the Trust Fund and all interest and investment earnings on moneys in the Trust Fund, except amounts required to be deposited in the Rebate Fund.

State's General Taxing Power Not Pledged

Pursuant to the Act, the Trust Fund Act and the Resolution, the Series 2014 Bonds are special and limited obligations of the Authority payable from and secured by a pledge of and lien on the Trust Fund and any other funds held under the Resolution, equally and ratably with any Additional Bonds to be issued as permitted by the Resolution. THE SERIES 2014 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE SERIES 2014 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR THE INTEREST ON THE SERIES 2014 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Statutory Debt Issuance Limit

The Trust Fund Act currently provides that the aggregate outstanding principal amount of bonds, notes or other obligations outstanding at any one time of the Authority under the Program may not exceed $220,000,000 (the "Statutory Debt Issuance Limit"). All bonds, notes or other obligations issued for refunding purposes shall be excluded from the calculation against the Statutory Debt Issuance Limit, provided that the refunding shall be determined by the Authority to result in a debt service savings. The issuance of the Series 2014 Bonds is within the Statutory Debt Limit.

Event of Non-Appropriation

An "Event of Non-Appropriation" with respect to the Bonds shall be deemed to have occurred if the State Legislature shall fail to appropriate funds for any fiscal year in an amount sufficient to pay when due the Authority's Debt Service and Financing Facility Payment Obligations coming due in such Fiscal Year.

In addition, a failure by the Authority to pay when due any principal or redemption price, if any, of or interest on any Bonds required to be made under the Resolution or the applicable Series of Bonds, or a failure by the Authority to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Resolution or the Bonds resulting from the occurrence of an Event of Non-Appropriation, shall not constitute an Event of Default as defined under the Resolution.

Upon the occurrence of an Event of Non-Appropriation, the Trustee, on behalf of the Holders of the applicable Series of Bonds, has no remedies. The Trustee may not seek to accelerate the Bonds. The

Authority has no obligation to pay any Debt Service with respect to which an Event of Non-Appropriation has occurred. However, the Authority would remain obligated to pay such Debt Service, and all future Debt Service to the extent State appropriations are subsequently made for such purposes.

From and after the occurrence of an Event of Non-Appropriation, and provided that there shall not have occurred and then be continuing any Event of Default under the Resolution, all applicable moneys, securities and funds received by the Trustee shall be applied as follows and in the following order:

> (i) Expenses of Fiduciaries -- to the payment of the reasonable and proper fees (including reasonable attorneys' fees), charges, expenses and liabilities of the Fiduciaries.
>
> (ii) Principal and Interest -- to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:
>
> First: Interest -- To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;
>
> Second: Principal -- To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.
>
> (iii) If any amounts remain after all payments under paragraphs (i) and (ii) have been made, the balance shall be paid to the State Treasurer.

Additional Series of Bonds

The Authority may, with the prior written consent of the State Treasurer, issue additional Series of Bonds under the Trust Fund Act in a principal amount up to the maximum principal amount authorized under the Trust Fund Act, for the purpose of financing additional Grants. See "HIGHER EDUCATION FACILITIES TRUST FUND PROGRAM" herein. The additional Series of Bonds will be secured equally and ratably, without preference or priority, with the Series 2014 Bonds. See "SECURITY FOR THE SERIES 2014 BONDS" herein. The issuance of additional Series of Bonds is subject to the Statutory Debt Issuance Limit.

Refunding Bonds

One or more series of Refunding Bonds may be issued at any time, with the prior written consent of the State Treasurer, to refund outstanding bonds of one or more series or one or more maturities within a series of any bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the funds and accounts under the Bond Resolution required by the provisions of the supplemental resolution authorizing such Refunding Bonds. All bonds or notes issued for refunding purposes shall be excluded from the calculation of the Statutory Debt Issuance Limit, provided that the refunding shall be determined by the Authority to result in a debt service savings. See "SECURITY FOR THE SERIES 2014 BONDS – Statutory Debt Issuance Limit" herein and APPENDIX II – "BOND RESOLUTION AND THE THIRD SUPPLEMENTAL RESOLUTION" hereto.

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS ON THE SERIES 2014 BONDS

The following table sets forth the debt service requirements for the Series 2014 Bonds in each fiscal year.

Fiscal Year	Principal	Interest	Total
2015	--	$	$
2016	$		
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
Total	**$**	**$**	**$**

RATINGS

Fitch Rating ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") have assigned municipal bond ratings of "___" "___" and "___" respectively, to the Series 2014 Bonds. Such ratings reflect the views of Fitch, Moody's and S&P respectively, at the time such ratings were given and the Authority makes no representation as to the appropriateness of the ratings. Any explanation of the significance of the ratings may be obtained from Fitch, Moody's and S&P. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Fitch, Moody's and S&P, if in the judgment of Fitch, Moody's or S&P, circumstances so warrant. Any such downward revision, qualification or withdrawal of the ratings can be expected to have an adverse effect on the market price of the Series 2014 Bonds.

TAX MATTERS

Federal Income Taxation

In the opinion of Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Series 2014 Bonds and subject to certain provisions of the Code which are described below, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Series 2014 Bonds, interest received by a holder of the Series 2014 Bonds will be excludable from gross income for federal income tax purposes, and will not be treated as a preference item for purposes of the alternative minimum tax imposed on individuals or corporations; however, such interest is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax on such corporations. However, interest on the Series 2014 Bonds may become taxable retroactively if certain requirements under the Code are not complied with. The Authority expects and intends to comply, and to the extent permitted by law, will comply, and the Institutions have made covenants to comply, with such requirements.

The Code contains a number of provisions that apply to the Series 2014 Bonds, including restrictions relating to the use or investment of the proceeds of the Series 2014 Bonds and the payment of certain arbitrage earnings in excess of the "yield" on the Series 2014 Bonds to the Treasury of the United States. Non-compliance with such provisions may result in interest on the Series 2014 Bonds not being excludable from gross income for federal income tax purposes retroactive to the date of issuance of the Series 2014 Bonds. The Authority expects and intends to comply, and to the extent permitted by law, will comply, and the Institutions have covenanted to comply, with these requirements.

Under prior law, banks, thrift institutions and other financial institutions were required to reduce the amount deducted with respect to the interest expense incurred to purchase or carry tax-exempt obligations by 20%. Section 265(b) of the Code generally denies to institutions any deduction for that portion of interest expense incurred in taxable years ending after December 31, 1986. An exception is provided to the 100% disallowance rule for certain small issuers who designate the obligations as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code and, provided certain conditions are met, for bonds the proceeds of which refund obligations which are issued after August 7, 1986 and which were designated as qualified tax-exempt obligations. Such obligations will be treated as if they were acquired on August 7, 1986 and will be subject to the 20% disallowance rule. The Series 2014 Bonds will <u>not</u> be designated as qualified under Section 265 of the Code by the Authority for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

Fifteen percent (15%) of the interest earned on tax-exempt obligations must be used to reduce deductions for losses incurred by property and casualty insurance companies.

Ownership of tax-exempt obligations may also result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations.

The Series 2014 Bonds maturing on June 15 of the years _____ (the "Premium Bonds") have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the

amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2014 Bonds. President Obama and/or members of Congress have submitted to Congress various legislative proposals, which if enacted, would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. If enacted into law, such proposals may cause interest on the Series 2014 Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent owners of the Series 2014 Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Series 2014 Bonds. No prediction is made whether these provisions will be enacted as proposed or concerning other future legislation which if passed might have the effect on the tax treatment of interest on the Series 2014 Bonds. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation. Bond Counsel will render its opinion as of the issue date, and will assume no obligation to update its opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinions of Bond Counsel are only opinions and not a warranty or guaranty of the matters discussed. Neither the Authority nor the State has any obligation to provide updated information concerning pending or future legislation. Each purchaser of the Series 2014 Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation.

In addition, the Internal Revenue Service (the "IRS") has established an expanded audit program for tax-exempt bonds. There can be no assurance that an audit initiated or concluded by the IRS after the issue date of the Series 2014 Bonds involving either the Series 2014 Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2014 Bonds.

In addition, prospective purchasers of the Series 2014 Bonds should be aware that Section 6049 of the Code provides that interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Pursuant to Notice 2006-93, backup withholding will be required if the bondholder fails to provide a tax identification number. This reporting requirement does not in and of itself affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the exclusion from gross income of interest on the Series 2014 Bonds for federal income tax purposes, or the exclusion of interest on and any gain realized on the sale of the Series 2014 Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions could adversely affect the market price or marketability of the Series 2014 Bonds.

State Taxation

Under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Series 2014 Bonds, interest on the Series 2014 Bonds and any gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act.

PROSPECTIVE PURCHASERS OF THE SERIES 2014 BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE OWNERSHIP OF THE SERIES 2014 BONDS.

CONTINUING DISCLOSURE

Consistent with the requirements of Rule 15c2-12 ("Rule 15c2-12") of the Securities Exchange Act of 1934, as amended and supplemented, on the date of delivery of the Series 2014 Bonds, the Authority and the State Treasurer will enter into an agreement (the "Continuing Disclosure Agreement") with the Trustee, as dissemination agent, for the benefit of the holders of the Series 2014 Bonds, pursuant to which the State Treasurer will agree to comply on a continuing basis with the disclosure requirements of Rule 15c2-12. Specifically, the State Treasurer will covenant in the Continuing Disclosure Agreement to provide certain financial information and operating data related to the State not later than the fifteenth day of the ninth month next following the end of the State's Fiscal Year commencing with the Fiscal Year of the State ending June 30, 2014 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Agreement, a form of which is included in its entirety as APPENDIX III – "FORM OF THE CONTINUING DISCLOSURE AGREEMENT" hereto.

The Annual Report will be filed, or caused to be filed, by the State Treasurer with the Municipal Securities Rulemaking Board (the "MSRB") in electronic format as prescribed by the MSRB on the MSRB's Electronic Municipal Market Access system ("EMMA") found at http://www.msrb.org.

For the Fiscal Year ended June 30, 2008, the State Treasurer failed to timely provide the Annual Report as required by the Agreements with Respect to Continuing Disclosure entered into by the State in connection with its general obligation bonds. The Annual Report was due to the nationally recognized municipal securities repositories on March 15, 2009. The Annual Report was filed on March 31, 2009.

The Annual Reports for the Fiscal Years ended June 30, 2009 through June 30, 2013, were filed on time.

UNDERWRITING

_____ submitted the successful bid at the public sale of the Series 2014 Bonds on _____ __, 2014, and has agreed, pursuant to the terms of the Notice of Sale relating to the Series 2014 Bonds, to purchase the Series 2014 Bonds at an aggregate price of $_____ (representing a principal amount of $_____, plus [net] original issue premium in the amount of $_____, less underwriter's compensation in the amount of $_____) and to make a bona fide public offering of the Series 2014 Bonds at the initial public offering prices set forth on the inside front cover page of this Official Statement.

LEGALITY FOR INVESTMENT

Pursuant to the Act, all bonds, notes and other obligations, including the Series 2014 Bonds, issued by the Authority under the provisions of the Act are securities in which the State and all political subdivisions of the State, their officers, boards, commissions, departments or other agencies; all banks, bankers, savings banks, trust companies, savings and loan associations, investment companies, and other persons carrying on a banking business; all insurance companies, insurance associations, and other persons carrying on an insurance business; all administrators, executors, guardians, trustees and other fiduciaries; and all other persons whatsoever who now are or may hereafter be authorized to invest in

bonds or other obligations of the State may properly and legally invest any funds including capital belonging to them or within their control. Bonds, notes or other securities or obligations of the Authority are also securities which may properly and legally be deposited with and received by any State or municipal officer or agency of the State for any purpose for which the deposit of bonds or other obligations of the State is authorized by law.

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Series 2014 Bonds are subject to the unqualified approving opinion of GluckWalrath LLP, Trenton, New Jersey, Bond Counsel to the Authority. A copy of the approving opinion of Bond Counsel, in substantially the form provided in APPENDIX IV hereto, will be available at the time of the delivery of the Series 2014 Bonds. Certain legal matters will be passed upon for the Authority and the State by the Attorney General of the State.

LITIGATION

There is no litigation pending, or, to the knowledge of the Authority, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2014 Bonds, or questioning or affecting the validity of the Series 2014 Bonds or the proceedings under which the Series 2014 Bonds are to be issued. There is no litigation pending or, to the knowledge of the Authority, threatened, which in any manner questions the right of the Authority to adopt the Resolution or to secure the Series 2014 Bonds in the manner herein described.

MISCELLANEOUS

The foregoing summaries of the provisions of the Act, the Trust Fund Act, the Resolution, the Series 2014 Bonds and the Continuing Disclosure Agreement do not purport to be complete and are made subject to the detailed provisions thereof to which reference is hereby made. Copies of the above are available for inspection at the office of the Authority.

The attached appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

This Official Statement is distributed in connection with the sale and issuance of the Series 2014 Bonds and may not be reproduced or used as a whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the Authority and duly executed and delivered on its behalf by the official signing below.

Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. The agreements of the Authority are fully set forth in the Resolution in accordance with the Act and this Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any Series 2014 Bonds.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

By: _____
Derek S. Hansel, Executive Director

Dated: September __, 2014

APPENDIX I

FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

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APPENDIX I

DATED SEPTEMBER 8, 2014

FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

This Appendix I speaks only as of its date and contains information supplied by the State that a prospective investor might consider in reaching a decision to invest in securities of the State or securities issued by governmental authorities that are secured by amounts subject to appropriations by the State Legislature. Nothing contained in this Appendix I shall create any implication that there has been no change in the affairs of the State since the date hereof. This Appendix I replaces Appendix I dated April 8, 2014 and supplements thereto. The principal changes reflected in this Appendix I are the updates of information to reflect the enactment of the Fiscal Year 2015 Appropriations Act and certain financial and other activity which occurred during Fiscal Year 2014. The State intends to further update or supplement the information contained in this Appendix I upon becoming aware of the occurrence of any event that materially changes the information contained herein.

All quotations from and summaries and explanations of provisions of laws of the State contained in this Appendix I do not purport to be complete and are qualified in their entirety by reference to the official compilation of State laws.

All estimates and assumptions of financial and other information set forth in this Appendix I are and will be based on information available as of its date, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting "forward-looking statements" set forth in this Appendix I may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are budgetary numbers and other information for the most recent past and current fiscal years.

From time to time, State officials or representatives of State governmental authorities may issue statements or reports, post information on websites, or otherwise make public information that contain predictions, projections or other information relating to the State's financial condition, including potential operating results for the current fiscal year and for future fiscal years, that may vary materially from the information provided in this Appendix I. In addition, such officials and authorities as well as other persons and groups, with or without official State governmental approval and cooperation, may undertake studies and analyses, whether or not designed to be made public, which may contain information regarding the State and its financial condition which differs significantly from the information provided herein or on which the information provided herein is based. Such statements, reports and information are not part of this Appendix I or the Official Statement to which this Appendix I is appended and should not be relied upon by investors and other market participants.

To the extent the State determines it is necessary or appropriate to revise, update or supplement the information contained in this Appendix I, the State will prepare and make public supplements to this Appendix I. Investors and other market participants should refer to subsequent Official Statements containing updates to this Appendix I or filings with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board ("MSRB") for official revisions, updates or supplements to the information contained in this Appendix I. In determining the appropriate information concerning the State to be relied upon in making an investment decision, investors and other market participants should refer only to this Appendix I and official supplements thereto provided by the State.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013, including Management's Discussion and Analysis (the "2013 CAFR"), has been separately filed with the MSRB and is incorporated by specific reference herein and is considered to be part of this Appendix I. The State has also placed a copy of the 2013 CAFR on the following website at www.state.nj.us/treasury/omb. No statement on that website or any other website is included by specific cross-reference herein.

Although the State has prepared the information on the above website for the convenience of those seeking that information, no decision in reliance upon that information should be made. Typographical or other errors may have occurred in converting the original source documents to their digital format, and the State assumes no liability or responsibility for errors or omissions contained on any website. Further, the State disclaims any duty or obligation to update or maintain the availability of the information contained on any website or any responsibility or liability for any damages caused by viruses contained within the electronic files on any website. The State also assumes no liability or responsibility for any errors or omissions or for any update to dated information contained on any website.

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* Filed with the MSRB and incorporated by specific reference herein.

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THE STATE OF NEW JERSEY

The State was one of the original thirteen colonies and was the third state to ratify the United States Constitution in 1787. The original State Constitution was adopted on July 2, 1776 and was subsequently superseded by the State Constitution of 1844. A new State Constitution was prepared by a constitutional convention in 1947 and was ratified by voters of the State in the general election held November 4, 1947.

The State Constitution provides for a bicameral legislature which meets in annual sessions. Members of the State Senate are elected to terms of four years, except for the election following a decennial census, in which case the election is for a term of two years. Members of the General Assembly are elected to terms of two years. Both the Governor and the Lieutenant Governor are elected to terms of four years each.

There are 15 departments of the Executive Branch of State government. The maximum number of departments permitted by the State Constitution is 20.

DEMOGRAPHIC AND ECONOMIC INFORMATION

New Jersey is the eleventh largest state in population and the fifth smallest in land area. According to the United States Bureau of the Census, the population of New Jersey was 7,730,188 in 1990, 8,414,350 in 2000, 8,791,894 in 2010, and, as of July 1, 2014, estimated to be 8,899,339 in 2012. With an average of 1,196 persons per square mile, per the 2010 Census, it is the most densely populated of all the states. New Jersey is located at the center of the megalopolis which extends from Boston to Washington and which includes over one-fifth of the country's population. The extensive facilities of the Port Authority of New York and New Jersey, the Delaware River Port Authority and the South Jersey Port Corporation augment the air, land and water transportation complex which has influenced much of the State's economy. This central location in the northeastern corridor, the transportation and port facilities and proximity to New York City make the State an attractive location for corporate headquarters and international business offices.

The State's economic base is diversified, consisting of a variety of manufacturing, construction and service industries, supplemented by rural areas with selective commercial agriculture. New Jersey has the Atlantic seashore on the east and lakes and mountains in the north and northwest, which provide recreation for residents as well as for out-of-state visitors. Since 1978, casino gambling in Atlantic City has been an important State tourist attraction.

New Jersey's population grew rapidly in the years following World War II, before slowing to an annual rate of growth of 0.27% in the 1970s. Between 1980 and 1990, the annual rate of growth rose to 0.49% and between 1990 and 2000, accelerated to 0.85%, but was only 0.44% between 2000 and 2010. While this rate of growth is less than that for the United States, it compares favorably with other Middle Atlantic states. New York's population grew at an annual rate of 0.31% from 2000 to 2010 and Pennsylvania's population grew at a rate of 0.28% per year during the same period.

The increase in the State's total population during recent decades masks the redistribution of population within the State. For many years there was a significant shift from the northeastern industrial areas toward the coastal counties of Atlantic, Ocean and Monmouth, and the central New Jersey counties of Hunterdon, Somerset and Middlesex. However, preliminary data suggest that in recent years counties in the northeastern part of the State, most notably Hudson, have been gaining population relative to the rest of the State. Most of the counties along the Delaware River, including Hunterdon, have lost population since 2010. Cumberland and Cape May counties have also seen declines in population since 2010.

For more information, see "APPENDIX-I-B-DEMOGRAPHIC AND ECONOMIC INFORMATION" herein.

SELECTED INFORMATION RELATING TO NEW JERSEY'S ECONOMIC CONDITION

The State's level of payroll employment as of July 2014 was 3.951 million, which was higher than (+13,600) the level of payroll employment as of July 2013. The increase in payroll employment during this period was 1.5 percentage points lower than the national rate of increase in payroll employment. During the twelve month period ending in July 2014, jobs were created in trade, transportation, and utilities (+18,100), education and health services (+9,800), and professional and business services (+7,800), while jobs were lost in construction (-8,900), the public sector (-3,300), other services (-3,300), financial activities (-2,600), information (-2,300), and manufacturing (-300).

According to information released by the New Jersey Department of Labor and Workforce Development on March 17, 2014, payroll employment in 2013 averaged 1.2% higher than in 2012. The 2013 increase in payroll employment in the State was six-tenths of a percentage point lower than the national increase in payroll employment. The State's increase ranked thirty-first among the fifty states.

The State's unemployment rate declined from 8.4% in July 2013 to 6.5% in July 2014. The decline in the unemployment rate reflects both a decline in the labor force participation rate, resulting in a decline in the State's labor force, and an increase in the number of employed State residents. The increase in the number of employed State residents from July 2013 to July 2014 was 37,800, higher than the increase in the level of payroll employment over the same period. The discrepancy between the increases in the two measures reflects both differences in the concepts (nonresidents may hold jobs in New Jersey, and New Jersey residents may hold jobs in other states, may hold multiple jobs in New Jersey, may work in the agricultural sector, or be self-employed) and differences in the samples used to compile each of them. The State's labor force participation rate, as well as the percentage of the State's population that is employed, remains above the national average.

According to the United States Commerce Department, Bureau of Economic Analysis, in a report dated June 11, 2014, New Jersey's gross state product rose 1.1% from 2012 to 2013, adjusted for inflation. This increase ranked thirty-seventh among the states, and was less than the national gain of 1.8%. However, the State's growth in 2013 was higher than the 0.7% rate for the Middle Atlantic region as a whole. Moreover, over the two years from 2011 to 2013, New Jersey's gross state product grew more rapidly than all but one other state in the Northeast region. Prior to the inflation adjustment, New Jersey's gross state product in 2013 totaled $543.1 billion, ranking eighth among the fifty states. Each of the seven states with higher gross state products than New Jersey have substantially higher populations, while three states with substantively higher populations than New Jersey have lower gross state products.

According to the United States Commerce Department, Bureau of Economic Analysis, in a release dated June 24, 2014, personal income of the State's residents rose 3.6% over the year ending in the first quarter of 2014. This increase ranked sixteenth among the fifty states and was virtually identical to the gains reported for the nation as a whole, as well as for the New England and Mideast regions over the same time period. According to January 2014 economic forecasts from IHS Global Insight and Moody's Economy.com, growth in personal income for New Jersey residents is expected to continue through 2014 and 2015 at rates higher than those seen in 2013.

New Jersey's housing sector is recovering, but at an irregular rate. More than 24,000 building permits were granted in 2013, an increase of nearly 35% from 2012, and the highest figure since 2007. In the first six months of 2014, the number of permits granted was 28.7% higher than over the same period in 2013. The New Jersey Association of Realtors reports that single-family home resales in the State in 2013 were 18.4% higher than in 2012. However, single-family home resales in the first six months of 2014 were 4.3% lower compared to the same period in 2013. The recent decline likely reflects, in part, unusually harsh weather in New Jersey in the early months of 2014. In May and June 2014, the number of contracts signed for single-family home purchases was higher than in the corresponding months of 2013. Growth in housing activity is anticipated to continue, as reduced prices, low mortgage rates, and higher rental costs have increased the attractiveness of home ownership, while ongoing recovery from Superstorm Sandy will continue to spur building in parts of the State. In addition,

the northeastern parts of the State are experiencing considerable construction of multi-family rental properties in the vicinity of New York City. However, the significant number of properties still in the judicial foreclosure process may temper the recovery in the housing sector.

The auto sector continues to improve. Sales of new motor vehicles in 2013 were 9.5% higher than in 2012, and in the first six months of 2014 sales averaged 2.4% higher than during the same period in 2013.

Economic conditions in New Jersey and the nation are continuing to improve. This improvement has been manifested in the expansion of consumer and capital spending, and has resulted in increased employment. Aggregate household wealth has reached new highs, largely reflecting the recovery of the stock market, but home values have also begun to increase noticeably. With the improvement in household incomes and finances, many consumers have been able to borrow more, and aggregate debt has started to increase. In the current domestic U.S. economic environment, there is the potential for spending growth to further improve, leading to declines in unemployment and further gains in employment, income and wealth. However, European economies continue to face serious problems, posing risks for U.S. exporters, financial markets and institutions. Economic growth in China has recently slowed, in part reflecting internal financial concerns in that nation. Recent cuts in federal spending have inhibited aggregate economic growth, and questions about the implementation of the federal Patient Protection and Affordable Care Act ("PPACA") have likely elevated household and business uncertainty, further weighing on the vigor of the economic expansion. Finally, chronic tensions and violence in the Middle East have the potential to boost energy prices and dampen household spending power.

The June 2014 projections of the Federal Reserve System's Federal Open Market Committee members and participants anticipate the annualized rate of national real gross domestic product growth over the course of 2014 and 2015 to average more than 3% and the national unemployment rate to fall below 6%. The State's economy is expected to expand in 2014 and 2015 at a rate approximately in line with national trends. Inflation rates have continued to be low, reflecting continuing high rates of unemployment. It is anticipated that Federal Reserve policies will not provoke a substantial rise in the underlying rate of inflation, though, as has been the case a number of times in recent years, increases in energy, food, and other commodity prices may lead to short periods in which aggregate price indexes rise noticeably. The Federal Open Market Committee has also announced that increases in interest rates are highly unlikely in the near term, unless inflation rates are substantially higher than currently anticipated and expectations of inflation move up substantively.

The economic outlook hinges on the success of supportive national fiscal and monetary policies. Availability of credit, stability in the financial markets, and continued improvement in consumer and business confidence are critical factors necessary for the continuation of the economic turnaround nationally and in New Jersey. The State and the nation may experience some near-term deterioration in growth and the expected pace of economic expansion may decline if consumers, investors, and businesses are negatively affected by concerns regarding long-term federal budget sustainability, the implementation of any actions directed at near-term cuts in federal spending or increases in taxes, the impact of federal health care reform on business costs, lack of credit availability, U.S. and international financial market stresses, any slowdown in the pace of global economic recovery, and geopolitical tensions, particularly those which lead to any substantial restrictions on energy supplies from the Middle East. To a large extent, the future direction of the economy nationally and in the State hinges on the assumptions regarding the strength of the current economic recovery, energy prices, and stability in the financial markets.

Appendix-I-B contains various demographic and economic statistical tables for New Jersey and, where available, for neighboring states and the region.

CERTAIN CONSTITUTIONAL PROVISIONS

Budget Limitations

The State Constitution provides, in part, that no money shall be drawn from the State Treasury but for appropriations made by law and that no law appropriating money for any State purpose shall be enacted if the appropriations contained therein, together with all prior appropriations made for the same fiscal period, shall exceed the total amount of the revenue on hand and anticipated to be available to meet such appropriations during such fiscal period, as certified by the Governor (Article VIII, Sec. 2, para. 2). (For general information regarding the budget process, see "STATE FINANCES — New Jersey's Budget and Appropriation Process" herein; for the application of the budget process for Fiscal Year 2015, see "FINANCIAL RESULTS AND ESTIMATES" herein.)

Debt Limitations

The State Constitution further provides, in part, that the State Legislature shall not, in any manner, create in any fiscal year a debt or liability of the State, which, together with any previous debts or liabilities, shall exceed at any time one percent of the total appropriations for such year, unless the same shall be authorized by a law for some single object or work distinctly specified therein. No such law shall take effect until it shall have been submitted to the people at a general election and approved by a majority of the legally qualified voters voting thereon; provided, however, no such voter approval is required for any such law authorizing the creation of a debt for a refinancing of all or any portion of the outstanding debts or liabilities of the State, so long as such refinancing shall produce a debt service savings. Furthermore, any funds raised under these authorizations must be applied only to the specific object stated therein. The State Constitution provides as to any law authorizing such debt: "Regardless of any limitation relating to taxation in this Constitution, such law shall provide the ways and means, exclusive of loans, to pay the interest of such debt or liability as it falls due, and also to pay and discharge the principal thereof within thirty-five years from the time it is contracted; and the law shall not be repealed until such debt or liability and the interest thereon are fully paid and discharged." This constitutional provision does not apply to the creation of debts or liabilities for purposes of war, or to repel invasion, or to suppress insurrection or to meet emergencies caused by disaster or act of God (Article VIII, Sec. 2, para. 3) (the "Debt Limitation Clause").

The Debt Limitation Clause was amended by the voters on November 4, 2008. The amendment provides that, beginning after the effective date of the amendment, the State Legislature is prohibited from enacting any law that creates or authorizes the creation of a debt or liability of an autonomous State corporate entity, which debt or liability has a pledge of an annual appropriation as the means to pay the principal of and interest on such debt or liability, unless a law authorizing the creation of that debt or liability for some single object or work distinctly specified therein shall have been submitted to the people and approved by a majority of the legally qualified voters of the State voting thereon at a general election. The constitutional amendment does not require voter approval for any such law providing the means to pay the principal of and interest on such debt or liability subject to appropriations of an independent non-State source of revenue paid by third persons for the use of the single object or work thereof, or from a source of State revenue otherwise required to be appropriated pursuant to another provision of the State Constitution. Furthermore, voter approval is not needed for any law providing for the refinancing of all or a portion of any outstanding debts or liabilities of the State or of an autonomous State corporate entity provided that such law requires that the refinancing produces debt service savings.

STATE FINANCES

New Jersey's Accounting System

The Director of the Division of Budget and Accounting in the New Jersey Department of the Treasury (the "Budget Director") prescribes and approves the accounting policies of the State and directs their implementation.

The State prepares its financial statements in accordance with current standards that are outlined in the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements — and*

Management's Discussion and Analysis — for State and Local Governments. The State's Comprehensive Annual Financial Report includes government-wide financial statements and fund financial statements. These statements present different views of the State's financial information. (See "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013," and the notes referred to therein (the "2013 CAFR") which has been separately filed with the Municipal Securities Rulemaking Board ("MSRB") and is incorporated by specific reference herein and is considered to be part of this Appendix I.) The 2013 CAFR presents the financial position and operating results of the State under generally accepted accounting principles ("GAAP") applicable to state and local governments as established by GASB. GASB is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in GASB's *Codification of Governmental Accounting and Financial Reporting Standards.*

The significant accounting policies followed by the State are described in the "Notes to the Financial Statements" set forth in the 2013 CAFR which is incorporated by specific reference herein.

Government-wide financial statements provide a broad view of the State's operations conforming to private sector accounting standards and provide both short-term and long-term information regarding the State's overall financial position through the fiscal year-end.

In addition to government-wide financial statements, the State prepares fund financial statements comprised of funds and component units with the State's funds divided into three categories — governmental, proprietary, and fiduciary.

Governmental Funds finance most Direct State Services, which support the normal operations of State government. The governmental funds financial statements focus on current inflows and outflows of expendable resources and the unexpended balances at the end of a fiscal year that are available for future spending. Governmental fund information helps determine whether or not there was an addition or a reduction in financial resources that can be spent in the near future to finance State programs.

The State's governmental funds are the General Fund, which receives revenues from taxes that are unrestricted by statute, most federal revenue and certain miscellaneous revenue items; the Property Tax Relief Fund, which receives revenues from the New Jersey Gross Income Tax and for revenues derived from a tax rate of 0.5% imposed under the Sales and Use Tax both of which are constitutionally dedicated toward property tax relief and reform; the Special Revenue Funds, which are used to account for resources legally restricted to expenditure for specified purposes; and the Capital Projects Funds, which are used to account for financial resources to be used for the acquisition or construction of major State capital facilities. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

Proprietary Funds are used to account for State business-type activities. Since these funds charge fees to external users, they are known as enterprise funds.

Fiduciary Funds, which include State pension funds, are used to account for resources held by the State for the benefit of parties outside of State government. Unlike other government funds, fiduciary funds are reported using the accrual basis of accounting.

Component Units-Authorities account for operations where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control or accountability. Component Units-Colleges and Universities account for the operations of the eleven State colleges and universities including their foundations and associations.

New Jersey's Budget and Appropriation Process

The State operates on a fiscal year beginning July 1 and ending June 30. For example, "Fiscal Year 2015" refers to the State's fiscal year beginning July 1, 2014 and ending June 30, 2015. New Jersey's budget process is

comprehensive and inclusive, involving every department and agency in the Executive Branch, the Legislature, the Judicial Branch, and through a series of public hearings, the citizens of the State.

Pursuant to Article VIII, Section II, para. 2 of the State Constitution, no money may be drawn from the State Treasury except for appropriations made by law. In addition, all monies for the support of State government and all other State purposes, as far as can be ascertained or reasonably foreseen, must be provided for in one general appropriations law covering one and the same fiscal year. The State Legislature enacts an appropriations act on an annual basis (the "Appropriations Act") which provides the basic framework for the operation of the General Fund. No general appropriations law or other law appropriating money for any State purpose shall be enacted if the amount of money appropriated therein, together with all other prior appropriations made for the same fiscal year, exceeds the total amount of revenue on hand and anticipated to be available for such fiscal year, as certified by the Governor.

Budget Requests and Preliminary Projections

The budget process begins in the summer prior to the following fiscal year with preliminary projections of revenues and expenditures, which are the basis for development of budget targets for each branch, department and agency. Individual departments and agencies are required to prepare a funding plan or strategy for operating within the established target in the following fiscal year, which funding plan or strategy includes an analysis of the costs, benefits and priorities of every program.

Budget Director Review

On or before October 1 in each year, each Department, Board, Commission, Office or other Agency of the State must file with the Budget Director a request for appropriation or permission to spend specifying all expenditures proposed to be made by such spending agency during the following fiscal year. The Budget Director then examines each request and determines the necessity or advisability of the appropriation request. On or before December 31 of each year or such other time as the Governor may request, after review and examination, the Budget Director submits the requests, together with his or her findings, comments and recommendations, to the Governor.

Governor's Budget Message

The Governor's budget message (the "Governor's Budget Message") is presented by the Governor during an appearance before a joint session of the State Legislature which, by law, is convened on a date on or before the fourth Tuesday in February in each year. The Governor's Budget Message for Fiscal Year 2015 was delivered on February 25, 2014 (the "Governor's Fiscal Year 2015 Budget Message"). The Governor's Budget Message must include the proposed complete financial program of the State government for the next ensuing fiscal year and must set forth in detail each source of anticipated revenue and the purposes of recommended expenditures for each spending agency (*N.J.S.A.* 52:27B-20).

Legislative Review

The financial program included in the Governor's Budget Message is then subject to a process of legislative committee review. As part of such review, testimony is given by a number of parties. The Office of Legislative Services, which is an agency of the State Legislature, generally provides its own estimates of anticipated revenues which may be higher or lower than those included in the Governor's Budget Message, and the State Treasurer generally provides an updated statement of anticipated revenues in May of each year which may increase or decrease the amounts included in the Governor's Budget Message. In addition, various parties may release their own estimates of anticipated revenues and recommended expenditures to the media. After completion of the legislative committee review process, the budget, in the form of an appropriations bill, must be approved by the Senate and Assembly and must be submitted to the Governor for review. The Appropriations Act includes the General Fund, as well as certain Special Revenue Funds (Casino Control, Casino Revenue,

Gubernatorial Elections, and Property Tax Relief). In addition to anticipated revenues, the Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds and a portion of the Energy Tax Receipts, to the extent such revenue may be received and permits the corresponding increase of appropriation balances from which expenditures may be made. These amounts are excluded from all tables except for the table entitled "EXPENDITURES" on page I-34.

Governor's Line-Item Veto Power

Upon such submission, the Governor may approve the bill, revise the estimate of anticipated revenues contained therein, delete or reduce appropriation items contained in the bill through the exercise of his or her line-item veto power, or veto the bill in its entirety. As with any gubernatorial veto, such action may be reversed by a two-thirds vote of each House of the State Legislature.

If a general appropriation law is not enacted prior to the July 1 deadline, under Article VIII, Section 2, para. 2 of the State Constitution, no money can be withdrawn from the State treasury. In addition, in such an event, no moneys, other than available amounts already held under bond financing documents will be available to make payments on obligations paid from State revenue subject to annual appropriation. See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION" herein.

Fiscal Controls

The departments maintain legal control at the appropriation line item level and exercise budgetary control by individual appropriations and allocations within annual appropriations to various programs and major expenditure objects. Revisions to the Appropriations Act, reflecting program changes or interdepartmental transfers of an administrative nature, may be effected during the fiscal year with certain Executive and Legislative Branch approvals. Management may amend a department's budget with approval by the Budget Director; provided that under specific conditions, additional approval by the Office of Legislative Services is required. Only the State Legislature, however, may transfer appropriations between departments.

During the course of the fiscal year, the Governor may take steps to reduce State expenditures if it appears that revenues have fallen below those originally anticipated. There are additional means by which the Governor may ensure that the State does not incur a deficit.

Additionally, under the State Constitution, no supplemental appropriation may be enacted after adoption of the Appropriations Act except where there are sufficient revenues on hand or anticipated, as certified by the Governor, to meet such appropriation.

FINANCIAL RESULTS AND ESTIMATES

Audit Reports

The State Auditor is directed by statute (*N.J.S.A.* 52:24-4) to "examine and post-audit all the accounts, reports, and statements and make independent verifications of all assets, liabilities, revenues, and expenditures" of the State and its agencies. The 2013 CAFR, including the opinion of the State Auditor, has been separately filed with the MSRB, is incorporated by specific reference herein and is deemed a part of this Appendix I. The accounting and reporting policies of the State conform in all material respects to GAAP as applicable to governments.

Changes in Fund Balances

The following table sets forth a Summary of Revenues, Appropriations and Undesignated Fund Balances for the Fiscal Years ended June 30, 2011 through 2015, covering budgeted funds. The Undesignated Fund Balances are available for appropriation in succeeding fiscal years. There have been positive Undesignated Fund Balances in the General Fund at the end of each year since the State Constitution was adopted in 1947.

Amounts shown for Fiscal Years 2011 through 2013 are actual and final. Amounts shown for Fiscal Year 2014 in the following tables and charts are based upon revised estimates for revenues and lapses and includes supplemental appropriations and de-appropriations as of June 30, 2014 (which are subject to adjustment pending completion of the annual audit). Amounts shown for Fiscal Year 2015 are estimates as contained in the Fiscal Year 2015 Appropriations Act.

Budgeted State funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund and the Gubernatorial Elections Fund, but exclude federal funds and other non-budgeted funds. The Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds and a portion of the Energy Tax Receipts, to the extent such revenue is received and permits the corresponding increase of appropriation balances from which expenditures can be made. See "STATE FINANCES — New Jersey's Accounting System" above.

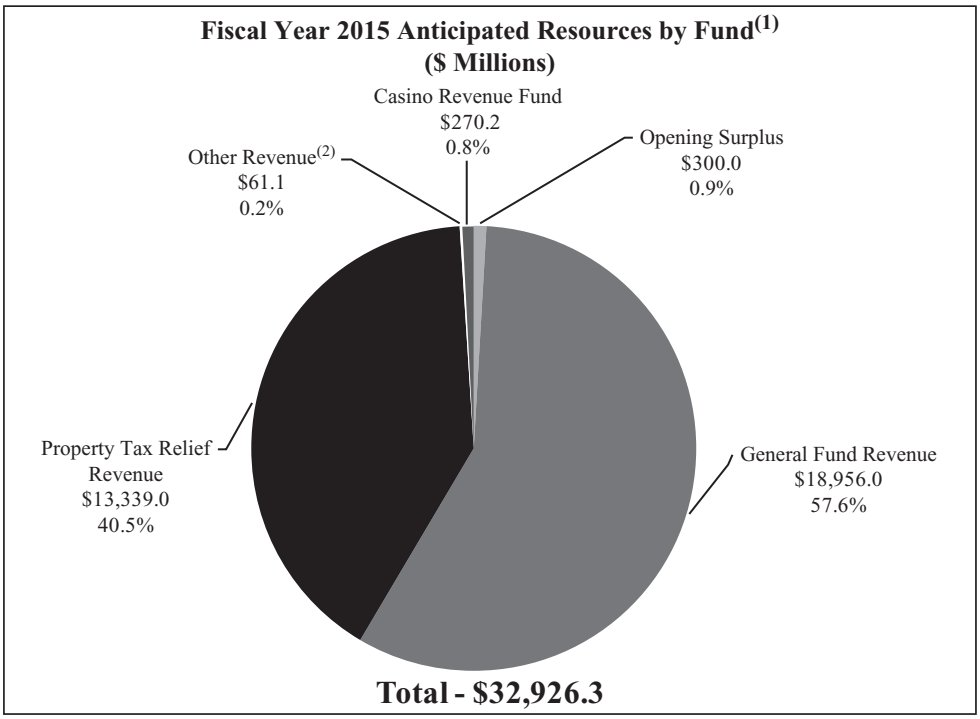
SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS
($ Millions)

	2015 Estimated	2014 Estimated	2013 Actual	2012 Actual	2011 Actual
July 1st Beginning Balances					
General Fund	$ 300.0	$ 301.4	$ 441.4	$ 864.1	$ 794.2
Property Tax Relief Fund	—	8.6	2.4	5.8	10.0
Gubernatorial Elections Fund	—	—	1.0	0.5	—
Casino Control Fund	—	3.2	1.8	2.8	—
Casino Revenue Fund	—	—	—	—	—
Total Beginning Balances	300.0	313.2	446.6	873.2	804.2
Anticipated Revenue					
General Fund	18,956.0	18,500.3	17,894.8	17,043.6	17,098.4
Property Tax Relief Fund	13,339.0	12,729.0	12,758.4	11,751.7	11,233.7
Gubernatorial Elections Fund	0.7	0.7	0.4	0.5	0.5
Casino Control Fund	60.4	58.0	55.6	51.4	60.8
Casino Revenue Fund	270.2	229.7	214.9	239.3	266.2
Total Revenues	32,626.3	31,517.7	30,924.1	29,086.5	28,659.6
Total Resources	32,926.3	31,830.9	31,370.7	29,959.7	29,463.8
Other Adjustments					
General Fund					
Balances lapsed(1)	—	919.8	280.7	626.6	708.3
From (To) reserved fund balance	—	—	(24.5)	18.2	—
From (To) Property Tax Relief Fund	—	(204.0)	(25.2)	(266.8)	(336.5)
Budget vs GAAP Adjustment	—	—	(1.6)	78.1	(9.6)
From (To) Casino Revenue Fund	—	(153.9)	(68.7)	(5.0)	(3.4)
From (To) Gubernatorial Elections Fund	—	(10.0)	0.4	—	—
Corporation Business Tax - 4% Dedication	—	—	—	—	4.8
Property Tax Relief Fund					
Balances lapsed(1)	—	778.9	409.9	89.3	143.9
From (To) General Fund	—	204.0	25.2	266.8	336.5
Budget vs GAAP Adjustment	—	—	—	—	0.2
Gubernatorial Elections Fund					
Balances lapsed(1)	—	—	4.0	—	—
From (To) General Fund	—	10.0	(0.4)	—	—
Budget vs GAAP Adjustment	—	—	1.2	—	—
Casino Control Fund					
Balances lapsed(1)	—	—	1.1	3.5	6.8
Budget vs GAAP Adjustment	—	—	—	—	1.9
Casino Revenue Fund					
From (To) General Fund	—	153.9	68.7	5.0	3.4
Balances lapsed(1)	—	—	0.5	3.8	0.2
Budget vs GAAP Adjustment	—	—	(0.1)	—	0.1
Total Other Adjustments	—	1,698.7	671.2	819.5	856.6
Total Available	32,926.3	33,529.6	32,041.9	30,779.2	30,320.4
Appropriations					
General Fund	19,115.6	19,053.6	18,195.9	17,917.4	17,392.1
Property Tax Relief Fund	13,091.6	13,720.5	13,187.3	12,111.2	11,718.5
Gubernatorial Elections Fund	—	10.7	6.2	—	—
Casino Control Fund	60.4	61.2	55.3	55.9	66.7
Casino Revenue Fund	270.2	383.6	284.0	248.1	269.9
Total Appropriations	32,537.8	33,229.6	31,728.7	30,332.6	29,447.2
June 30th Ending Balances					
General Fund	140.4	300.0	301.4	441.4	864.1
Property Tax Relief Fund	247.4	—	8.6	2.4	5.8
Gubernatorial Elections Fund	0.7	—	—	1.0	0.5
Casino Control Fund	—	—	3.2	1.8	2.8
Casino Revenue Fund	—	—	—	—	—
Total Ending Balances(2)	$ 388.5	$ 300.0	$ 313.2	$ 446.6	$ 873.2

Notes:

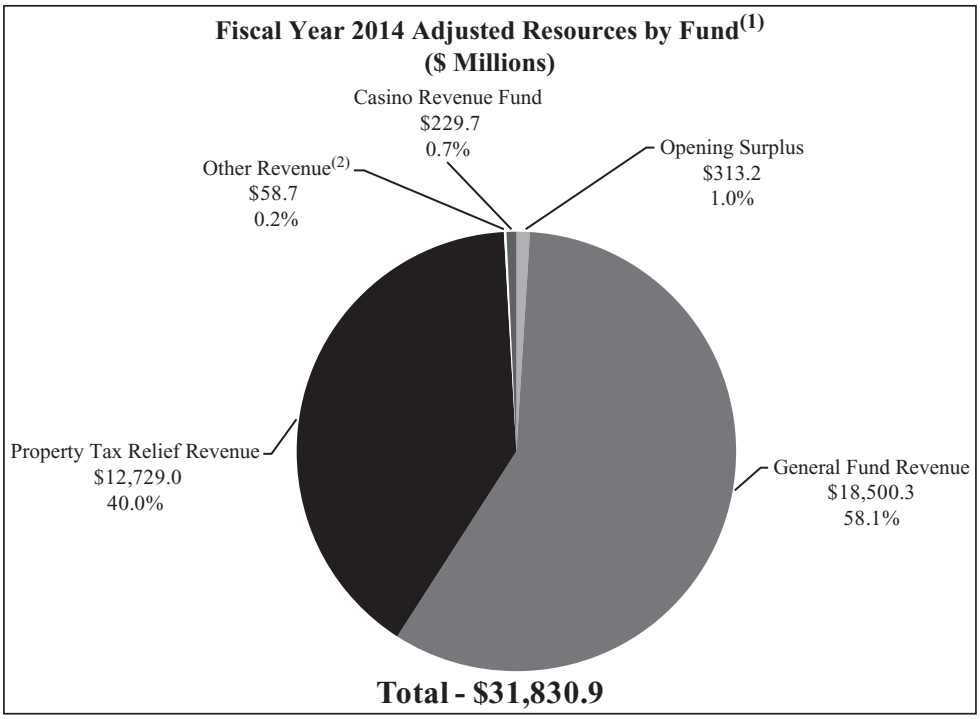
(1) Upon the end of the fiscal year, any unexpended or unencumbered balance in an appropriation reverts (lapses) to the June 30th ending undesignated fund balance, unless otherwise provided for in the Appropriations Act.

(2) The ending undesignated fund balance for Fiscal Year 2014 and the opening undesignated fund balance for Fiscal Year 2015 are subject to adjustment pending completion of the annual audit. The ending undesignated fund balance for Fiscal Year 2015 may be revised as a result of changes in spending and/or anticipated revenues. See "FINANCIAL RESULTS AND ESTIMATES – Revenues" and "– Appropriations" herein.



(1) Fiscal Year 2015 Anticipated Resources represent the total amount of estimated revenues for Fiscal Year 2015, as set forth in the Fiscal Year 2015 Appropriations Act, plus the total amount of estimated undesignated budgeted fund balances as of July 1, 2014.

(2) Other Revenue includes Casino Control Fund and Gubernatorial Elections Fund revenues.



(1) Fiscal Year 2014 Adjusted Resources represent the total amount of revenues for Fiscal Year 2014, subject to adjustment pending completion of the annual audit, plus the total amount of undesignated budgeted fund balances as of July 1, 2013.

(2) Other Revenue includes Casino Control Fund and Gubernatorial Elections Fund revenues.

Revenues

The following tables set forth actual revenues for Fiscal Years ended June 30, 2011 through 2013, and estimated revenues for Fiscal Years 2014 and 2015 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund, and such revenues as a percent of total revenue. The Fiscal Year 2014 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2015 estimates are as presented in the Fiscal Year 2015 Appropriations Act.

REVENUES
($ Millions)

	2015 Estimated	2014 Estimated	2013 Actual	2012 Actual	2011 Actual
General Fund:					
Sales and Use Tax	$ 9,068.0	$ 8,597.0	$ 8,235.1	$ 7,935.8	$ 7,765.1
Less: Property Tax Dedication	(693.0)	(660.0)	(629.8)	(603.8)	(598.4)
Net Sales and Use Tax	8,375.0	7,937.0	7,605.3	7,332.0	7,166.7
Motor Fuels Tax	541.0	536.0	524.6	539.7	524.2
Corporation Taxes	2,590.0	2,433.0	2,364.5	2,032.4	2,226.9
Motor Vehicle Fees	432.4	426.7	449.5	463.9	407.8
Cigarette Tax	180.8	226.0	246.9	288.4	227.2
Other Major Taxes	2,525.6	2,362.7	2,116.7	1,974.3	2,221.4
Medicaid Uncompensated Care Reimbursement	441.0	401.3	429.8	430.2	499.6
Other Miscellaneous Taxes, Fees and Revenues	2,313.7	2,343.5	2,233.2	2,125.8	2,133.5
Lottery Funds	1,036.8	965.0	1,085.0	950.1	930.0
Tobacco Litigation Settlement(1)	56.0	140.2	93.8	82.5	53.9
Other Transfers	463.7	728.9	745.5	824.3	707.2
Total General Fund(2)	18,956.0	18,500.3	17,894.8	17,043.6	17,098.4
Property Tax Relief Fund:					
Gross Income Tax	12,627.0	12,050.0	12,108.6	11,128.4	10,617.0
Plus: Property Tax Dedication	712.0	679.0	649.8	623.3	616.7
Gross Property Tax Relief Fund	13,339.0	12,729.0	12,758.4	11,751.7	11,233.7
Gubernatorial Elections Fund	0.7	0.7	0.4	0.5	0.5
Casino Control Fund	60.4	58.0	55.6	51.4	60.8
Casino Revenue Fund	270.2	229.7	214.9	239.3	266.2
Total	$32,626.3	$31,517.7	$30,924.1	$29,086.5	$28,659.6

(1) The State has transferred to the Tobacco Settlement Financing Corporation (the "Corporation"), a special purpose entity established pursuant to L. 2002, c. 32 (the "Act"), the State's right to receive all tobacco settlement receipts (the "TSRs") to be received by the State after December 1, 2003 from the multi-state Master Settlement Agreement ("MSA") which settled litigation with the participating tobacco companies. In January 2007, the Corporation issued its Tobacco Settlement Asset-Backed Bonds, Series 2007-1A Senior Current Interest Bonds (the "Series 2007-1A Bonds"), Series 2007-1B First Subordinate Capital Appreciation Bonds (the "Series 2007-1B Bonds") and Series 2007-1C Second Subordinate Capital Appreciation Bonds (the "Series 2007-1C Bonds," and together with the Series 2007-1A Bonds and the Series 2007-1B Bonds, the "Series 2007 Bonds"). The Corporation pledged 76.26% of the TSRs ("Pledged TSRs") as security for its Series 2007 Bonds. The remaining 23.74% of the TSRs (the "Unpledged TSRs") were not pledged to the Series 2007 Bonds and are payable to the State. On March 7, 2014, the Corporation entered into pledge agreements with respect to the Series 2007-1B and Series 2007-1C Bonds, whereby the Corporation agreed to pledge the Unpledged TSRs (the "Additional Pledged TSRs") to the Series 2007-1B and Series 2007-1C Bonds beginning on July 1, 2017. In consideration for entering into the pledge agreements, the Corporation received a one-time enhancement premium (net of costs) of approximately $91.6 million, which was then transferred by the Corporation to the State for deposit into the General Fund. Pursuant to the pledge agreements, the Additional Pledged TSRs will be used to optionally redeem the Series 2007-1B and Series 2007-1C Bonds. Beginning on July 1, 2017, the State will not receive any Unpledged TSRs (estimated to be approximately $40 million per year) until the Series 2007-1B and Series 2007-1C Bonds are fully paid, which is currently expected to occur in 2022. Fiscal Year 2011, 2012 and 2013 reflect actual payments and Fiscal Year 2014 and 2015 reflect estimated payments received or to be received by the State from Unpledged TSRs.

In each of the years 2006 through and including 2012 certain of the tobacco companies withheld a portion of their annual payment primarily based on claims, under the MSA, that the companies were entitled to a Non-Participating Manufacturer ("NPM") Adjustment from the settling states, of which the State is one, because the states did not diligently enforce their statutes which requires tobacco companies that did not enter into the settlement to make certain payments for in-state tobacco product sales. For each year, the withholding related to enforcement efforts for the entire calendar year, three years prior to the date of payment (e.g. the 2006 withholding was related to enforcement efforts in calendar year 2003). Because the MSA provides that states that are unsuccessful in the arbitration are responsible for the successful states' share of the NPM Adjustment, New Jersey was theoretically exposed to losing its entire MSA payment for each year it was unsuccessful in the arbitrations.

On November 5, 2011, the tobacco companies announced they were no longer claiming that the State did not diligently enforce its statute in 2003. However, because the State could not receive the benefit of that 2003 decision until all states had completed the multi-state arbitration and because the tobacco companies have continued to withhold their claimed NPM Adjustment for later years, it was unclear when the State would recover any of the sums withheld.

On December 14, 2012, the State joined in a settlement of the dispute for 2003 through 2012, as well as potential disputes for 2013 and 2014. In April 2013, pursuant to the settlement, the State received roughly $170 million more in 2013 MSA payments than it would have otherwise received, but will receive a total of roughly $75 million less from 2014 through 2017. Of these amounts, 76.26% constitute Pledged TSRs and 23.74% constitute Unpledged TSRs which are paid to the State for deposit in the General Fund. Some modest decreased payments can be expected in later years, but, as is always the case with long term projections of MSA payments, such payments are subject to too many variables to estimate the impact.

(2) Excludes Non-Budgeted Revenues which include primarily Federal Funds and a portion of the Energy Tax Receipts. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund's undesignated fund balance.

REVENUES
(% of Total)

	2015 Estimated	2014 Estimated	2013 Actual	2012 Actual	2011 Actual
General Fund:					
Sales and Use Tax	27.8%	27.3%	26.6%	27.3%	27.1%
Less: Property Tax Dedication	(2.1)	(2.1)	(2.0)	(2.1)	(2.1)
Net Sales and Use Tax	25.7	25.2	24.6	25.2	25.0
Motor Fuels Tax	1.7	1.7	1.7	1.9	1.9
Corporation Taxes	7.9	7.7	7.7	7.0	7.8
Motor Vehicle Fees	1.3	1.4	1.5	1.6	1.4
Cigarette Tax	0.6	0.7	0.8	1.0	0.8
Other Major Taxes	7.7	7.5	6.8	6.8	7.8
Medicaid Uncompensated Care	1.4	1.3	1.4	1.4	1.7
Other Miscellaneous Taxes, Fees and Revenues	7.0	7.4	7.2	7.3	7.4
Lottery Funds	3.2	3.1	3.5	3.3	3.2
Tobacco Litigation Settlement	0.2	0.4	0.3	0.3	0.2
Other Transfers	1.4	2.3	2.4	2.8	2.5
Total General Fund	58.1	58.7	57.9	58.6	59.7
Property Tax Relief Fund:					
Gross Income Tax	38.7	38.2	39.1	38.3	37.0
Plus: Property Tax Dedication	2.2	2.2	2.1	2.1	2.2
Gross Property Tax Relief Fund	40.9	40.4	41.2	40.4	39.2
Gubernatorial Elections Fund	—	—	—	—	—
Casino Control Fund	0.2	0.2	0.2	0.2	0.2
Casino Revenue Fund	0.8	0.7	0.7	0.8	0.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Fiscal Year 2014 and Fiscal Year 2015 Estimated Resources

Sales and Use Tax — The Sales and Use Tax collections for Fiscal Year 2015 are estimated to increase 5.5% from Fiscal Year 2014. Sales and Use Tax growth is based upon the assumed ongoing expansion of the State's economy, which will continue to boost spending on taxable goods and services. In addition, growth in Sales and Use Tax collections is expected to increase due to the recent enactment of proposals to ensure that online businesses remit New Jersey Sales and Use Tax.

Gross Income Tax — The Gross Income Tax collections for Fiscal Year 2015 are estimated to increase 4.8% from Fiscal Year 2014. It is anticipated that Gross Income Tax collections will resume more normal rates of growth after the large shortfall seen in final payments at the end of Fiscal Year 2014. The shortfall appears to have reflected unexpectedly low realizations of capital gains in calendar year 2013, probably related to upper-income taxpayers shifting a larger amount of capital gains realizations from 2013 back to 2012 in a larger-than expected response to the January 1, 2013 increase in federal tax rates. The growth rate in Gross Income Tax collections in Fiscal Year 2015 is expected to be moderately higher than the rate of personal income growth for State residents, reflecting the State's progressive income tax rate structure.

Corporation Business Tax — The Corporation Business Tax collections for Fiscal Year 2015 are estimated to increase 6.5% from Fiscal Year 2014. Corporation Business Tax collection growth has been sluggish in this economic recovery, with large variations from year to year. The anticipated increase in growth in Fiscal Year 2015 partly reflects legislative changes designed to address the results of court decisions that have enabled corporations to limit their New Jersey liabilities, as well as an administrative initiative to step up collections. However, there is the potential that increased usage of recently-granted business tax incentives will limit the growth of Corporate Business Tax collections.

Casino Revenues — The Casino Revenue Fund accounts for the taxes imposed on the casinos and other related activities. They include casino parking fees, per room per day fees on casino hotel rooms, and a tax on multi-casino progressive slot machine revenue. Collections for Fiscal Year 2015 are estimated to increase 17.6% from Fiscal Year 2014, largely reflecting a step-up in revenues from Internet gaming. Recent announcements of closing of a number of Atlantic City casinos may impact the growth of casino revenues.

Non-Recurring Resources — The utilization of non-recurring resources totals approximately $1.2 billion and represents approximately 3.6% of Fiscal Year 2015 appropriations, a reduction from the 13.2% that supported Fiscal Year 2010 appropriations. Non-recurring resources include various fund transfers of $24.4 million, $43.5 million in business tax revenues which are anticipated to be collected in Fiscal Year 2015 but which, as a result of previously enacted business tax reductions, will not be collected in future years, and $150.0 million of legal settlements. The $1.2 billion in non-recurring resources also includes $1.0 billion in appropriation reductions and offsets: $391.4 million of debt restructuring/defeasance savings; $324.0 million of funding from the New Jersey Turnpike Authority that is being utilized to offset appropriations to New Jersey Transit; a $175.0 million non-appropriation of amounts relating to the Business Employment Incentive Program (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION"); and $50.0 million of professional boards revenue that is being used to offset the Department of Law and Public Safety salaries. Non-recurring resources do not include pension savings of $887 million in Fiscal Year 2014 and $1.45 billion in Fiscal Year 2015 resulting from the decision to fund the normal contribution only.

Revised Fiscal Year 2014 revenue estimates include approximately $91.6 million from the enhancement of certain tobacco bonds. The arrangement that produces this revenue will also result in a reduction of General Fund revenue over six or more years beginning in Fiscal Year 2017, and the prospect of substantial additional General Fund revenue beginning in Fiscal Year 2041. (See "FINANCIAL RESULTS AND ESTIMATES — Revenues – Footnote 1").

As shown in the table below, the reduced revenues received during the course of Fiscal Year 2014 required additional lapses in order to maintain an ending fund balance of $300 million.

Fiscal Year 2014 Fund Balance
(In Millions)

	Approp. Act for Fiscal Year 2014	Feb 2014 Revised(1)	June 2014 Revised
Beginning Balance	$ 467	$ 313	$ 313
Revenues			
Gross Income Tax	$13,039	$12,928	$12,050
Sales & Use Tax	8,680	8,680	8,597
Corporation Taxes	2,416	2,420	2,433
Other	8,678	8,535	8,438
Total Revenues	$32,813	$32,563	$31,518
Lapses	—	694	812
Pension	—	—	887*
Total Available	$33,280	$33,570	$33,530
Appropriations			
Original	$32,977	$32,977	$32,977
Supplemental	—	292	253
Total Appropriations	$32,977	$33,269	$33,230
Ending Balance	$ 303	$ 301	$ 300(2)

* Reflects the difference between a 3/7 pension payment of $1.582 billion and the final payment of $696 million to fund the employer normal cost.

(1) Represents amounts included in the Governor's Budget Message for Fiscal Year 2015.

(2) Represents the amount assumed for purposes of the Governor's Revenue Certification for the Fiscal Year 2015 Appropriations Act.

The table below shows the revenues, appropriations and the ending balance as calculated and projected for Fiscal Year 2015 in the Governor's Fiscal Year 2015 Budget Message and in the Fiscal Year 2015 Appropriations Act.

Fiscal Year 2015
(In Millions)

	FY 2015	
	Budget	**Approp. Act**
Beginning Balance	$ 301	$ 300
Revenues		
Gross Income Tax	$13,988	$12,627
Sales & Use Tax	9,212	9,068
Corporation Taxes	2,583	2,590
Other	8,664	8,341
Total Revenues	$34,447	$32,626
Lapses	—	—
Total Available	$34,748	$32,926
Appropriations		
Original	$34,435	$34,107
Supplemental	—	—
Pension	—	(1,569)
Total Appropriations	$34,435	$32,538
Ending Balance	$ 313	$ 388

Potential Impacts on Fiscal Year 2014 and Fiscal Year 2015 Revenues

Fiscal Year 2014 State revenue collections assumed at the time the Governor issued the Governor's Revenue Certification for the Fiscal Year 2015 Appropriations Act were estimated to be $1.3 billion lower than the original Fiscal Year 2014 estimate made at the time of the enactment of the Fiscal Year 2014 Appropriations Act based on actual collections through May 31, 2014, and assuming the remainder of Fiscal Year 2014 is in line with the projections. However, cash collections of major State revenues for Fiscal Year 2014 through the end of June, 2014 were $274.9 million less than at the time such certification was made. Corporate Business Tax collections were $208.0 million less than anticipated, and there were also shortfalls in proceeds from the State lottery ($41.0 million), the transfer-inheritance tax ($26.3 million), and casino revenues ($16.8 million). Sales and Use Tax collections were $46.7 million higher than anticipated, while Gross Income Tax collections were $5.0 million above target. The process of finalizing the Fiscal Year 2014 CAFR is ongoing and is subject to audit. Taking into account additional anticipated lapses in spending and other revenue adjustments, the State, at this time, continues to work toward, but cannot give assurances of, realizing a final undesignated fund balance of $300 million for Fiscal Year 2014.

In Fiscal Year 2014 casino revenues are less than anticipated by $153.9 million primarily due to Internet gaming getting off to a slower than anticipated start. The Fiscal Year 2015 Appropriations Act anticipates a $40.5 million increase in casino revenues from the reduced Fiscal Year 2014 amount. Virtually all of the anticipated increase reflects a substantial increase in the growth of Internet gaming, as it becomes more established in the marketplace. Recent announcements of closings of a number of Atlantic City casinos may negatively impact the growth of casino revenues.

State revenue collections for Fiscal Year 2015 as contained in the Fiscal Year 2015 Appropriations Act include an estimate of $150 million in settlements by the Department of Law & Public Safety. It is possible that these anticipated revenues will not be realized in Fiscal Year 2015.

Federal Aid

Actual federal aid receipts in the General Fund and Special Transportation Fund for Fiscal Years 2011 through 2013, which are non-budgeted revenues, amounted to $11,195.3 million, $10,665.0 million and $10,797.0 million, respectively. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2014 are estimated as of June 30, 2014 to be $12,712.9 million. Such estimate is subject to adjustment pending completion of the annual audit. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2015 as contained in the Fiscal Year 2015 Appropriations Act are estimated to be $14,546.7 million. Such federal aid receipts for Fiscal Year 2015 are composed of $8,695.6 million for health related family programs under Titles XIX and XXI, $444.3 million for social services block grants, $1,222.3 million for other human services, $832.6 million for Title I and other education, $469.1 million for labor, $2,260.3 million for transportation, and the remainder for all other federal aid programs.

The federal Disaster Relief Appropriations Act of 2013 (the "Disaster Relief Act"), which was signed into law on January 29, 2013, appropriated approximately $50.38 billion (later reduced by sequestration to $47.9 billion) to various federal agencies to assist states and local communities with the impacts of Super Storm Sandy, including funding provided directly to private homeowners and businesses. Leveraging available resources, New Jersey has launched more than 50 programs and initiatives to help Sandy-impacted homeowners, renters, businesses, and communities recover and rebuild.

The State is administering programs funded by a number of federal funding streams. Some of these funding streams require the State or other grantee to contribute a non-federal cost share, also known as "match." The following is a list of some of the major programs administered by the State that contain a non-federal cost share obligation, along with the State's intended means of satisfying the match: The Federal Emergency Management Agency's ("FEMA") Public Assistance program contains a 10 percent match requirement. As of August 8, 2014, FEMA has obligated approximately $352 million in connection with State Public Assistance projects. The State intends to address the vast majority of this match obligation using Community Development Block Grant – Disaster Recovery ("CDBG-DR") funding received from the U.S. Department of Housing and Urban Development. FEMA's Hazard Mitigation Grant Program contains a 25 percent match requirement. The State intends to address this match responsibility utilizing soft match generated by in-kind sources. Projects authorized by the Federal Highway Administration ("FHWA") carry a 10 to 20 percent non-federal cost share, depending on the project. Based on present projections, the State currently estimates that the non-federal cost share for FHWA projects will approach $66 million. The State intends to address this match obligation with CDBG-DR funds. The U.S. Environmental Protection Agency allocated $229 million to New Jersey to address the impacts to water and wastewater systems across New Jersey. The State intends to address the 20 percent match obligation with CDBG-DR funds. The U.S. Army Corps of Engineers ("Army Corps") received funding from the Disaster Relief Act to replenish previously constructed beaches, and also to fund the construction of previously authorized, but unconstructed engineered beach systems along the New Jersey coastline. Under the Act, previously authorized projects that received construction funds in the last three years are funded 100 percent by the Army Corps. All other previously-authorized, but unconstructed projects have a cost share of 35 percent. In addition, the Army Corps is studying certain regions to determine whether additional projects should be pursued. Generally, the Army Corps funds these studies at 50 percent. The State intends to finance this match obligation as provided by the Disaster Relief Act, which would require repayment from State resources. Currently it is anticipated that dedicated Shore Protection funding would support the match.

As recovery progresses, it is likely that some projections may understate or overstate the State's actual non-federal cost share needs across all federal funding sources. The State has appropriated $40 million to support any unanticipated costs, including expected problems identifying funding to support the non-federal cost share. To

date, the State has expended approximately $16 million of the initial $40 million in funding, and anticipates the balance of funding available will be sufficient to support any unexpected funding issues related to Super Storm Sandy.

On August 8, 2014, the President signed HR 5021, which will extend federal highway funding through May 31, 2015. This is an interim solution until a long term plan can be agreed to by the Congress and the Obama Administration. It is assumed that funding will once again be continued beyond May 31, 2015. New Jersey's Transportation Capital program totals $3.7 billion, $1.5 billion of which is federally funded.

Appropriations

Appropriations–Fiscal Year 2011 through Fiscal Year 2015

The following table sets forth the composition of annual appropriations, including supplemental appropriations and de-appropriations (except for Fiscal Year 2015) in Fiscal Years 2011 through 2015, if any, from the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. Should tax revenues be less than the amount anticipated in the annual Appropriations Act, the Governor may, pursuant to statutory authority, prevent any expenditure under any appropriation. The amounts for Fiscal Years 2011 through 2013 are actual and final. The amounts for Fiscal Year 2014 are based on appropriations contained in the Fiscal Year 2014 Appropriations Act, plus supplemental appropriations of $252.7 million, and are subject to adjustment pending completion of the annual audit. The amounts appropriated for Fiscal Year 2015 reflect the amounts shown in the Fiscal Year 2015 Appropriations Act.

APPROPRIATIONS FOR BUDGETED STATE FUNDS[1]
($ MILLIONS)

	For the Fiscal Year Ended June 30,				
	2015 Estimated	2014 Estimated	2013 Actual(2)	2012 Actual	2011 Actual
General Fund:					
Legislative Branch	$ 76.5	$ 76.8	$ 76.7	$ 73.7	$ 75.6
Chief Executive's Office	6.7	6.7	6.0	5.7	4.5
Department of:					
Agriculture	19.7	19.7	19.7	19.6	19.4
Banking and Insurance	64.0	64.0	63.5	63.0	59.7
Children and Families	1,095.9	1,060.0	1,074.2	1,058.4	1,045.9
Community Affairs	83.6	184.0	85.8	59.5	64.1
Corrections	1,047.4	1,089.0	1,077.8	1,090.4	1,080.7
Education	844.0	266.9	224.8	223.2	555.6
Environmental Protection	366.1	357.2	336.9	334.2	348.8
Health	361.0	370.8	334.3	1,222.3	1,213.3
Human Services	6,175.7	5,996.3	6,076.8	5,215.0	4,514.0
Labor and Workforce Development	163.7	158.1	157.0	154.5	156.7
Law and Public Safety	456.9	519.9	514.5	509.8	503.1
Military and Veterans Affairs	95.7	95.8	95.4	94.0	90.8
State	1,271.6	1,243.4	1,172.7	1,148.8	1,159.6
Transportation	1,349.5	1,366.4	1,135.9	1,311.5	1,252.8
Treasury	1,068.9	1,365.2	1,325.5	1,223.6	1,145.4
Miscellaneous Executive Commissions	0.8	0.8	1.0	1.0	1.3
Inter-Departmental Accounts — Employee Benefits and Miscellaneous	3,875.5	4,124.7	3,744.0	3,445.7	3,444.5
Judicial Branch	692.4	687.9	673.0	663.5	656.3
Total General Fund	$19,115.6	$19,053.6	$18,195.9	$17,917.4	$17,392.1
Property Tax Relief Fund:					
Department of:					
Community Affairs	$ 716.3	$ 576.4	$ 656.7	$ 686.0	$ 669.6
Corrections	22.5	—	—		
Education	11,186.9	12,229.1	11,542.6	10,407.5	10,298.3
Environmental Protection	2.7	—	—	—	—
Human Services	184.6	130.2	152.8	160.3	165.5
Law and Public Safety	2.0	—	—		
Treasury	976.6	784.8	835.2	857.4	585.1
Total Property Tax Relief Fund	$13,091.6	$13,720.5	$13,187.3	$12,111.2	$11,718.5

	For the Fiscal Year Ended June 30,				
	2015 Estimated	2014 Estimated	2013 Actual(2)	2012 Actual	2011 Actual
Gubernatorial Elections Fund	—				
Department of:					
Law and Public Safety	$ —	$ 10.7	$ 6.2	$ —	$ —
Total Gubernatorial Elections Fund	$ —	$ 10.7	$ 6.2	$ —	$ —
Casino Control Fund					
Department of:					
Law and Public Safety	$ 52.2	$ 53.0	$ 46.7	$ 46.8	$ 42.3
Treasury	8.2	8.2	8.6	9.1	24.4
Total Casino Control Fund	$ 60.4	$ 61.2	$ 55.3	$ 55.9	$ 66.7
Casino Revenue Fund					
Department of:					
Health	$ 0.5	$ 0.5	$ 0.5	$ 90.3	$ 108.0
Human Services	249.1	360.4	256.5	130.4	130.5
Labor and Workforce Development	2.2	2.2	2.2	2.2	2.2
Law and Public Safety	0.1	0.1	0.1	0.1	0.1
Transportation	18.3	20.4	24.7	25.1	29.1
Total Casino Revenue Fund	$ 270.2	$ 383.6	$ 284.0	$ 248.1	$ 269.9
Total Appropriations	$32,537.8	$33,229.6	$31,728.7	$30,332.6	$29,447.2

(1) Budgeted State Funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund and the Gubernatorial Elections Fund. These amounts do not reflect amounts included under the caption "Other Adjustments" in the table entitled "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS" above.

(2) Reflects the reorganization of some functions among the Departments of Children and Families, Community Affairs, Education, Health, Human Services, Law and Public Safety, State and Treasury.

The State has made appropriations for principal and interest payments for general obligation bonds for Fiscal Years 2011 through 2014 in the amounts of $204.7 million, $276.9 million, $410.6 million and $319.7 million, respectively. The Fiscal Year 2015 Appropriations Act includes an appropriation in the amount of $404.8 million, representing principal and interest payments for general obligation bonds. This appropriation reflects anticipated savings from utilizing available, uncommitted amounts held in general obligation bond funds, available bond premium from the sale of general obligation bonds in May 2013, normal increases in scheduled payments for existing general obligation bond debt service, and planned future issuances of bonds.

The Fiscal Year 2015 Appropriations Act also provides $2,907.2 million for debt service on obligations supported by State revenue subject to annual appropriation. This amount differs from the amounts shown on pages I-40 and I-41 due to appropriation offsets from reductions resulting from the refunding of debt service, taking into account projected increases in debt service due to planned future issuances of bonds and notes, premium from the sale of obligations supported by State revenue subject to annual appropriation, the termination of letters of credit and normal reductions in scheduled payments for existing debt service on such obligations.

Funding for the Fiscal Year 2015 Transportation Capital Plan includes $1,061.6 million in Transportation Trust Fund Authority (TTFA) bonds to be issued during the fiscal year. If all of such bonds are issued, for Fiscal Year 2016, the final year of the current five-year statutory authorization, the total remaining debt that could be issued would be limited to $626.8 million. The State is considering its options with respect to future transportation funding.

The total Fiscal Year 2015 appropriation for debt service on general obligation bonds and obligations supported by State revenue subject to annual appropriation is $3,312.0 million or approximately 10.2% of total State appropriations for Fiscal Year 2015. For more information, see "OUTSTANDING BONDED INDEBTEDNESS OF THE STATE" and "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION."

The Fiscal Year 2015 Governor's Budget Message provided a 3/7ths ($1.582 billion) and 4/7ths ($2.250 billion) actuarially recommended contribution for Fiscal Year 2014 and Fiscal Year 2015 respectively. In response to significant shortfalls in resources disclosed six weeks before the close of Fiscal Year 2014, the

Governor issued Executive Order No. 156 on May 20, 2014, which directed the Budget Director to place into reserve such amounts appropriated for the State's Fiscal Year 2014 pension contribution necessary to ensure that the State does not end Fiscal Year 2014 with a deficit. The reduction in resources in Fiscal Year 2014 also required an adjustment to spending levels in Fiscal Year 2015. As a result, the defined benefits pension contributions were adjusted to fund the employer normal cost of $695.7 million for Fiscal Year 2014 and $680.6 million for Fiscal Year 2015, generating appropriation reductions of $887 million and $1.569 billion per fiscal year, respectively. This resulted in net budget savings of $1.451 billion in Fiscal Year 2015 because of an associated reduction in revenues of $118.3 million, since the State is reimbursed by non-state funded programs for a portion of fringe benefit expenses paid from those programs. See "STATE FUNDING OF PENSION PLANS — State's Financial Responsibility to the Pension Plans — *Current and Historical Funding Status and Contributions,*" "FINANCIAL RESULTS AND ESTIMATES — Fiscal Year 2014 and Fiscal Year 2015 Estimated Resources," and "Potential Impacts on Fiscal Year 2014 and Fiscal Year 2015 Revenues" herein. See also "LITIGATION — *Pension Funding Litigation*."

The breakdown of the $680.6 million Fiscal Year 2015 appropriation for the State's defined benefit pension contribution on behalf of employees whose benefits are funded by the State is as follows: State ($216.0 million), PreK-12 education ($379.2 million), local government ($66.2 million), and higher education ($19.2 million). The pension contribution funds the entirety of the employer normal cost or the value of the accrued benefits for current employees during the corresponding plan year.

The Fiscal Year 2015 Appropriations Act appropriation for active and retired employees' health benefits includes $21.4 million to fund the Transitional Reinsurance Program Fee and the Patient Centered Outcomes Research Institute Fee as required by PPACA. The Fiscal Year 2015 Appropriations Act also anticipates total contributions of $338 million due to an increase in employee health contributions. This amount represents an additional savings of $105.5 million compared to Fiscal Year 2014. The 2011 pension and health benefits reforms (*L.* 2011, *c.* 78) changed employee contributions from a percentage of salary (1.5%) to a percentage of medical and prescription drug premium costs, whichever is greater. The premium-based contributions are being phased-in over a four year period. In Fiscal Year 2015, the last year of the phase-in, those percentages will range from 3% to 35%, based on employee salary.

The Fiscal Year 2015 Appropriations Act provides $8,580.6 million in PreK-12 formula aid, an increase of $6.6 million from Fiscal Year 2014. This increase largely supports enrollment growth for Preschool Education Aid. Fiscal Year 2015 also includes two new aid categories, each appropriated at $13.5 million to support enrollment changes in districts and the procurement of technology required for the new online Partnership for Assessment of Readiness for College and Careers ("PARCC") assessments. The methodologies used to calculate aid in both Fiscal Years 2014 and 2015 are different than the statutory funding formula.

Risks That May Lead to Increased Appropriations

Fiscal Year 2015 appropriations are based on an estimate of various costs. There are various factors that could result in expenditures significantly higher or lower than current forecasts. For example, medical costs for Medicaid and for State employee health care costs could fluctuate based on actual utilization rates and varying prescription drug prices and rebates. In addition, the State contracts with managed care organizations ("MCOs") to provide services to most Medicaid clients at an annual State cost of approximately $2.4 billion, which for the first time, includes the cost of the home and community-based services portion of managed long term services and supports. Finally, Medicaid resources assume recoveries from fraud, national settlements, and other sources that have been historically difficult to predict. Projected costs in these areas are closely monitored and constantly updated.

The Fiscal Year 2015 Appropriations Act reduced the Governor's recommendations for Executive Branch salary increases and FICA payments by a total of $40 million. Executive Branch agencies have been directed to assume no funding will be available for salary growth, and to manage their staffing levels accordingly.

The State is presently working to meet a September 30, 2014 deadline for compliance with federal Commercial Driver's License Information System ("CDLIS") modernization requirements. If the State's testing phase of the CDLIS modernization is not certified by the deadline, the federal government may withhold up to 5% of federal fiscal year 2015 highway funding (approximately $45 million to $55 million). The State is making every effort to achieve compliance by the deadline.

Fiscal Year 2014 snow removal costs were $128 million. The winter of 2013-2014 was extraordinarily snowy compared to past seasons. The Fiscal Year 2015 Appropriations Act includes a base allocation of $10.3 million for snow removal, and the Budget Director is authorized to provide supplemental appropriations for costs in excess of the base. Prior to Fiscal Year 2014, these annual supplementals had averaged approximately $20 million.

Any of these factors could result in increased State costs and could require supplemental appropriations. The State's projected Fiscal Year 2015 ending fund balance, $388 million, provides some flexibility to address such potential increased costs.

Appropriations of Federal Aid

The Fiscal Year 2015 Appropriations Act anticipates additional savings from the health care expansion implemented pursuant to PPACA. Since the State already has a very extensive Medicaid program, this expansion has the benefit of 100% federal funding for certain populations, such as FamilyCare adults and those on General Assistance, that the State had already been funding on a 50/50 basis with the federal government prior to January 1, 2014. The additional savings from a full year of 100% federal funding of these populations is estimated to reduce the State's Fiscal Year 2015 Medicaid costs by $206 million after accounting for additional costs from the individual mandate and associated tax penalties that may encourage additional enrollment in the regular Medicaid program, which will maintain its 50/50 State/federal cost share. However, other PPACA imposed fees will increase State Medicaid and State Health Benefits costs by $60.6 million. Due to the unprecedented nature of the individual mandate, actual costs related to enrollment could be significantly higher or lower than those estimated in the Fiscal Year 2015 Appropriations Act. While early enrollment figures for populations still funded with State funds have been lower than anticipated and have triggered downward revisions to projected costs, an unknown but believed to be significant number of applications are still awaiting eligibility determinations at county welfare agencies and may result in increased State costs. The State reserves the right to file a State plan amendment to withdraw from the program expansion which expanded medical coverage.

In addition, Medicaid disallowances may be issued in federal fiscal year 2014 (which ends September 30, 2014) or 2015 (which ends September 30, 2015) based on a series of federal Office of the Inspector General program audits of claim documentation and cost allocation methodologies. The Department of Human Services disputes these findings and is taking steps to minimize the final impact of these audits. Fourteen audits totaling approximately $407.5 million are currently in draft or final form, but due to possible revisions or appeals, the final amounts and timing of any repayments are uncertain. The State currently has reserved $68.2 million in federal revenues to offset these potential disallowances. See also "LITIGATION — Medicaid, Tort, Contract, Workers' Compensation and Other Claims."

Also ongoing is the effort to evaluate the effects of the federal Budget Control Act of 2011. However, the impact of the federal fiscal year 2015 reductions and the programs impacted cannot be determined until the federal fiscal year 2015 budget process is completed.

State Unemployment Insurance Trust Fund

In Fiscal Year 2014, the Unemployment Insurance Trust Fund (the "Trust Fund"), which provides funding for unemployment benefits in the State, received approximately $2.7 billion in contributions from employers and workers while paying out approximately $2.4 billion in regular, annual State unemployment benefits (excluding benefits paid entirely by the federal government) on a cash basis. In Fiscal Year 2015, contributions from

employers and workers are expected to approximate $3.1 billion, while regular State unemployment benefits are expected to approximate $2.4 billion. The $3.1 billion estimate of contributions assumes no increases in tax rates compared to Fiscal Year 2014 (as further discussed below). As of July 11, 2014, the State's trust fund balance, on a cash basis, was $216.2 million.

Under State law, the State unemployment tax rate charged to employers during a fiscal year is determined by State statutory formula based on the status of the Trust Fund in relation to total taxable wages as of March 31st of the preceding fiscal year. For Fiscal Year 2015, the statutorily calculated employer tax rate will remain the same as it was for Fiscal Year 2014. The State began borrowing from the federal government to pay benefits in Fiscal Year 2009. As of July 11, 2014, there were no outstanding loans for unemployment insurance benefits and no borrowing is anticipated in Fiscal Year 2015. The Fiscal Year 2015 contributions estimate above assumes no increase in the State employer tax rate and the minimal base Federal Unemployment Tax Act (FUTA) rate of 0.6%. No change in the employee rate has occurred.

The following tables set forth appropriations by department and by major category for Fiscal Years 2015 and 2014.

APPROPRIATIONS FOR BUDGETED STATE FUNDS[1]
FOR THE FISCAL YEAR ENDING JUNE 30, 2015
($ MILLION)

Executive Branch	Direct State Services	Grants In-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive	$ 6.7	$ —	$ —	$ —	$ —	$ 6.7
Agriculture	7.3	6.8	5.6	—	—	19.7
Banking and Insurance	64.0	—	—	—	—	64.0
Children and Families	278.2	817.7	—	—	—	1,095.9
Community Affairs	39.1	42.9	717.9	—	—	799.9
Corrections	942.6	104.8	22.5	—	—	1,069.9
Education	82.2	5.1	11,943.6	—	—	12,030.9
Environmental Protection	214.1	20.3	8.8	90.9	34.7	368.8
Health	47.4	314.1	—	—	—	361.5
Human Services	607.0	5,526.3	476.1	—	—	6,609.4
Labor and Workforce Development	93.4	72.5	—	—	—	165.9
Law and Public Safety	491.8	17.4	2.0	—	—	511.2
Military and Veterans' Affairs	93.1	2.6	—	—	—	95.7
State	28.3	1,219.0	24.3	—	—	1,271.6
Transportation	45.2	40.3	18.2	1,264.1	—	1,367.8
Treasury	470.1	776.1	437.4	—	370.1	2,053.7
Miscellaneous Commissions	0.8	—	—	—	—	0.8
Interdepartmental	2,547.4	1,109.4	—	218.7	—	3,875.5
Subtotal	6,058.7	10,075.3	13,656.4	1,573.7	404.8	31,768.9
Legislature	76.5	—	—	—	—	76.5
Judiciary	692.4	—	—	—	—	692.4
Grand Total	$6,827.6	$10,075.3	$13,656.4	$1,573.7	$404.8	$32,537.8

(1) Budgeted State Funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund, and the Gubernatorial Elections Fund. The appropriations are as contained in the Fiscal Year 2015 Appropriations Act.

ADJUSTED APPROPRIATIONS FOR BUDGETED STATE FUNDS[1]
FOR THE FISCAL YEAR ENDING JUNE 30, 2014
($ MILLIONS)

Executive Branch	Direct State Services	Grants In-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive	$ 6.7	$ —	$ —	$ —	$ —	$ 6.7
Agriculture	7.3	6.8	5.6	—	—	19.7
Banking and Insurance	64.0	—	—	—	—	64.0
Children and Families	278.1	781.9	—	—	—	1,060.0
Community Affairs	39.1	41.6	679.7	—	—	760.4
Corrections	963.7	104.8	20.5	—	—	1,089.0
Education	77.2	3.4	12,415.4	—	—	12,496.0
Environmental Protection	215.6	20.3	8.9	90.9	21.5	357.2
Health	45.9	325.4	—	—	—	371.3
Human Services	638.0	5,347.8	501.1	—	—	6,486.9
Labor and Workforce Development	93.4	66.9	—	—	—	160.3
Law and Public Safety	555.6	28.1	—	—	—	583.7
Military and Veterans' Affairs	93.1	2.7	—	—	—	95.8
State	28.3	1,183.3	31.8	—	—	1,243.4
Transportation	132.7	73.2	20.3	1,160.6	—	1,386.8
Treasury	472.9	949.5	437.6	—	298.2	2,158.2
Miscellaneous Commissions	0.8	—	—	—	—	0.8
Interdepartmental	2,837.1	1,143.3	—	144.3	—	4,124.7
Subtotal	6,549.5	10,079.0	14,120.9	1,395.8	319.7	32,464.9
Legislature	76.8	—	—	—	—	76.8
Judiciary	687.9	—	—	—	—	687.9
Grand Total	$7,314.2	$10,079.0	$14,120.9	$1,395.8	$319.7	$33,229.6

(1) Budgeted State Funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund, and the Gubernatorial Elections Fund. Adjusted appropriations include supplemental appropriations made by the Legislature and approved by the Governor in addition to the appropriations contained in the Fiscal Year 2014 Appropriations Act. Lapses in appropriations, including $887 million in lapses relating to the contributions to the Pension Funds, are not included in the table above. See "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS" herein.

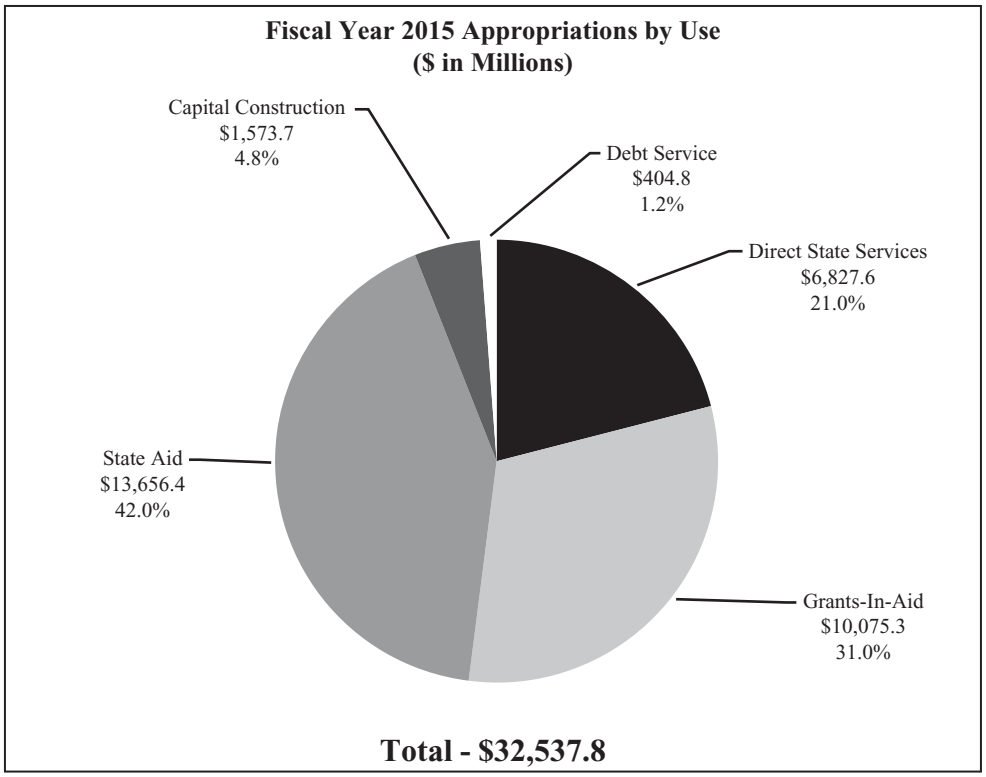
The following table sets forth, by major category, the original and enacted supplemental appropriations for Fiscal Years 2011 through 2014 and the appropriations for Fiscal Year 2015 as contained in the Fiscal Year 2015 Appropriations Act.

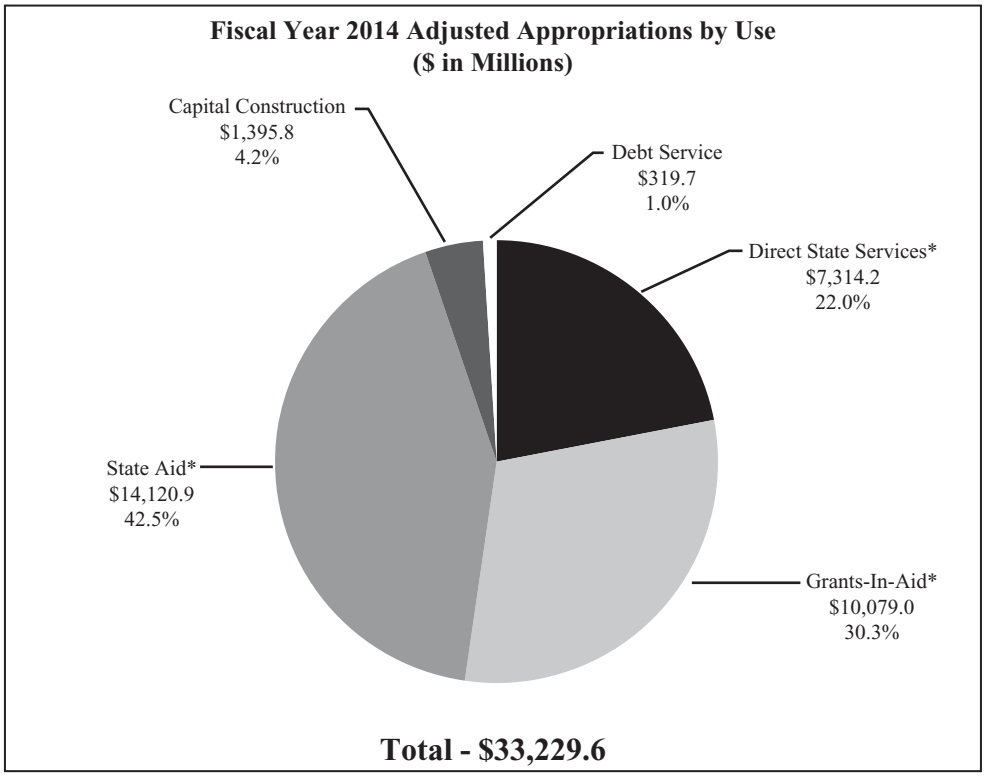
SUMMARY OF APPROPRIATIONS
($ Millions)

	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Percentage Change From 2011 to 2015
State Aid	$13,656.4	$14,120.9	$13,358.8	$12,233.9	$12,506.3	9.2%
Grants-in-Aid	10,075.3	10,079.0	9,871.0	9,836.3	9,140.4	10.2%
Direct State Services	6,827.6	7,314.2	6,827.2	6,760.9	6,473.9	5.5%
Capital Construction	1,573.7	1,395.8	1,261.1	1,224.6	1,121.9	40.3%
Debt Service	404.8	319.7	410.6	276.9	204.7	97.8%
Total	$32,537.8	$33,229.6	$31,728.7	$30,332.6	$29,447.2	10.5%

(1) Adjusted appropriations for Fiscal Year 2014 reflect the addition of supplemental appropriations of $252.7 million as of June 30, 2014 as made by the Legislature and approved by the Governor. Lapses in appropriations, including $887 million in lapses for Fiscal Year 2014 relating to the contributions to the Pension Funds, are not reflected in the table above. See "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS" herein.

Of the total Fiscal Year 2015 decrease in appropriations of $691.8 million, the largest decrease, $486.6 million, is in Direct State Services. This 6.7% decrease reflects reductions in pension payments for State employees. The 3.3% decrease in State Aid is predominantly attributable to reductions in pension payments for school district employees. The 12.7% increase in Capital Construction is primarily due to increases in debt service on TTFA bonds and New Jersey Building Authority bonds. The 26.6% increase in Debt Service in Fiscal Year 2015 reflects normal increases in scheduled payments for existing general obligation bond debt service and planned future issuances of general obligation bonds.





* Does not include $887 million in lapses for Pensions.

Programs Funded Under Appropriations in Fiscal Year 2015

Of the $32,537.8 million appropriated for Fiscal Year 2015 from the General Fund, the Property Tax Relief Fund, the Casino Control Fund, the Casino Revenue Fund and the Gubernatorial Elections Fund, $13,656.4 million (42.0%) is appropriated for State Aid, $10,075.3 million (31.0%) is appropriated for Grants-in-Aid, $6,827.6 million (21.0%) is appropriated for Direct State Services, $1,573.7 million (4.8%) is appropriated for Capital Construction and $404.8 million (1.2%) is appropriated for Debt Service on State General Obligation Bonds. See "FINANCIAL RESULTS AND ESTIMATES — Appropriations" above.

State Aid

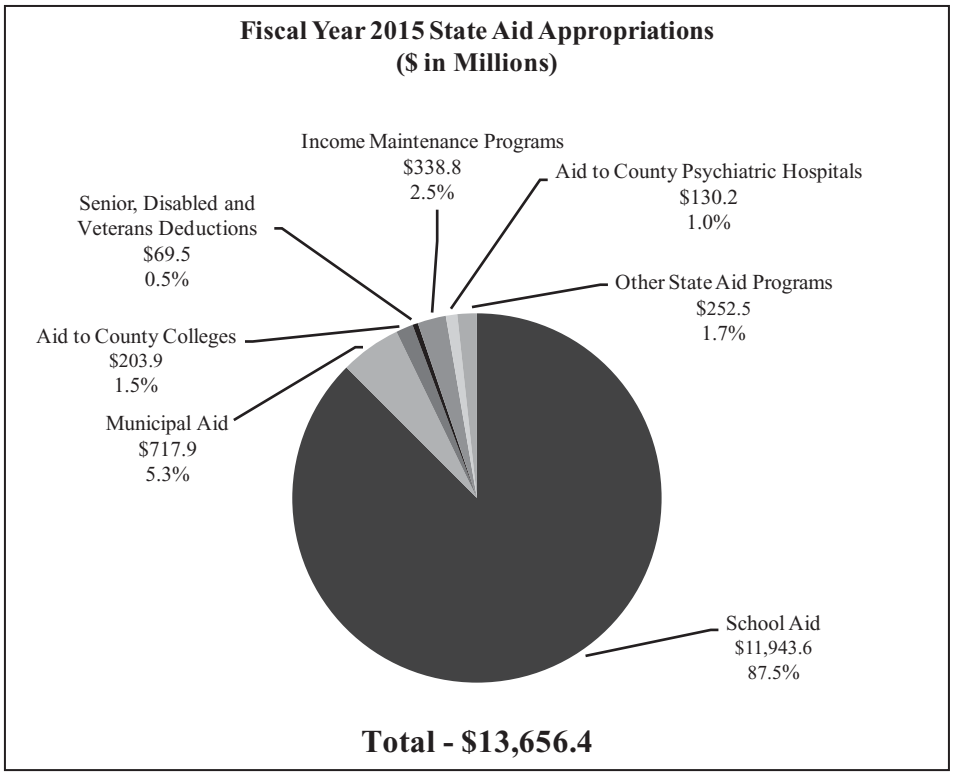
State Aid is the largest portion of Fiscal Year 2015 appropriations. These consist of payments to, or on behalf of, local government entities including counties, municipalities and school districts, to assist them in carrying out their local responsibilities.

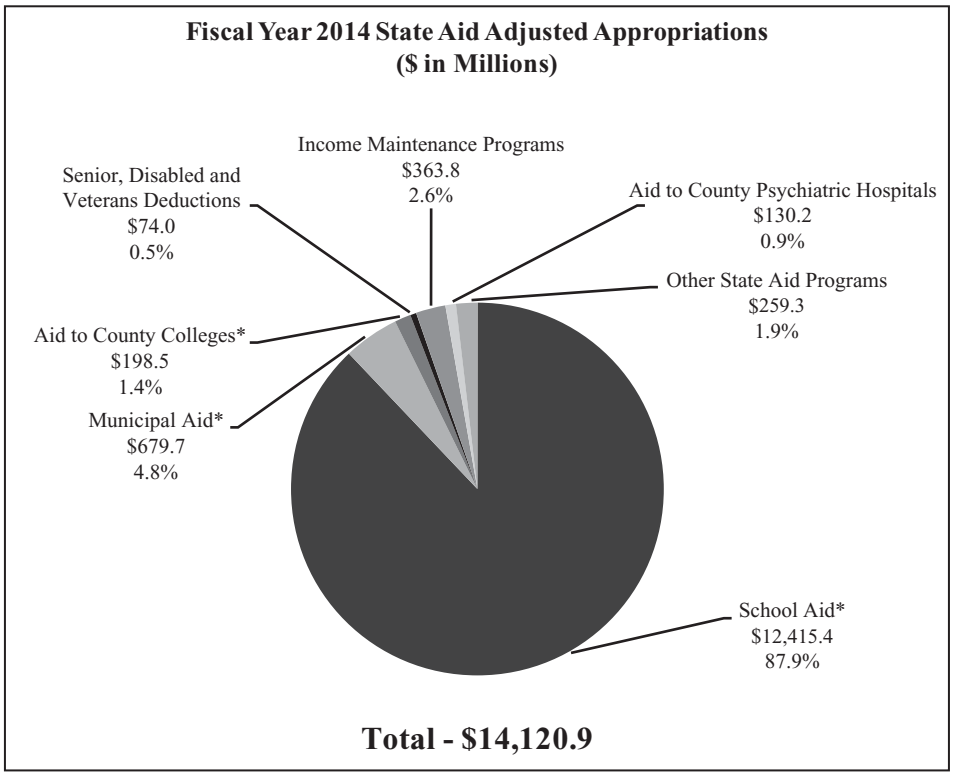
The largest State Aid appropriation, in the amount of $11,943.6 million, is appropriated for local preschool, elementary and secondary education programs. Of this amount, $8,580.6 million in formula aid for PreK-12 education, including School Choice Aid, will be distributed. Fiscal Year 2015 also includes two new aid categories, each appropriated at $13.5 million to support enrollment changes in districts and the procurement of technology required for the new online PARCC assessments. The methodologies used to calculate aid in both Fiscal Year 2014 and 2015 are different than the statutory funding formula. In addition to formula aid for PreK-12 education, $519.8 million is appropriated for debt service on School Construction Bonds issued by the New Jersey Economic Development Authority, $56.0 million is appropriated in School Building Aid to school districts, and $57.8 million is appropriated for School Construction Debt Service Aid to school districts. Also, $2,411.7 million is appropriated on behalf of school districts as the employers' share of the Social Security and teachers' pensions and benefits programs, including debt service on pension obligation bonds.

Appropriations to the Department of Community Affairs total $717.9 million in State Aid for Fiscal Year 2015. Consolidated Municipal Property Tax Relief Aid is appropriated in the amount of $575.9 million. These appropriations also include $121.5 million for the Transitional Aid to Localities program. Under this program, aid is awarded through a competitive process and requires recipient local units to submit to additional State oversight, with the goal of reducing reliance on this aid in the future.

Appropriations for the Department of Human Services total $476.1 million in State Aid for Fiscal Year 2015. The principal programs funded by these appropriations are $338.8 million for various income maintenance programs for the economically disadvantaged and $130.2 million for patients in county psychiatric hospitals.

Appropriations for the Department of the Treasury total $437.4 million in State Aid for Fiscal Year 2015. The principal programs funded by these appropriations are aid to county colleges ($203.9 million) and the cost of property tax deductions paid to municipalities for seniors, citizens with disabilities, and veterans ($69.5 million). Also, $129.4 million is appropriated on behalf of local governments to fund a portion of the employers' share of certain police and firemen's pensions and benefits programs, including debt service on pension obligation bonds.





* Does not include $553.4 million in lapses for Pensions.

Grants-in-Aid

The second largest portion of the appropriations in Fiscal Year 2015 is for Grants-in-Aid. These represent payments to individuals or public or private agencies for benefits to which a recipient is entitled by law or for the provision of services on behalf of the State. The amount appropriated in Fiscal Year 2015 for Grants-in-Aid is $10,075.3 million.

$5,526.3 million is appropriated for programs administered by the Department of Human Services. Of that amount, $4,087.9 million is for medical services provided under the Medicaid program (excluding FamilyCare), $663.4 million is for community programs for individuals with developmental disabilities, $373.3 million is for community programs for individuals with mental illness, $43.9 million is for health insurance for adults and children through the FamilyCare program, $172.0 million is for assistance programs for the economically disadvantaged and homeless, $74.6 million is for Pharmaceutical Assistance to the Aged and Disabled, $46.2 million is for other programs for the aged, and $32.9 million is for addiction services.

$776.1 million is appropriated for the Department of the Treasury. Included in this amount is $374.2 million for the Fiscal Year 2015 Homestead Benefit Program, which will provide credits directly on local property tax bills for eligible homeowners. Eligible seniors and disabled homeowners earning up to $150,000 and all other eligible homeowners earning up to $75,000 will receive benefits under the same formula as in Fiscal Year 2012. Also included in the appropriation is $199.6 million for the Senior and Disabled Citizens' Property Tax Freeze, which reimburses eligible senior and disabled homeowners earning up to $70,000 for increases in property taxes paid compared to their first year of program eligibility. Fiscal Year 2015 will be the fourth consecutive year of the current program. The appropriation for the Department of the Treasury also includes $63.8 million for energy assistance programs in the Board of Public Utilities. There is no appropriation in Fiscal Year 2015 for Business Employment Incentive Program ("BEIP") grants. See Note 10 in the 2013 CAFR for a discussion of long-term obligations concerning BEIP grants.

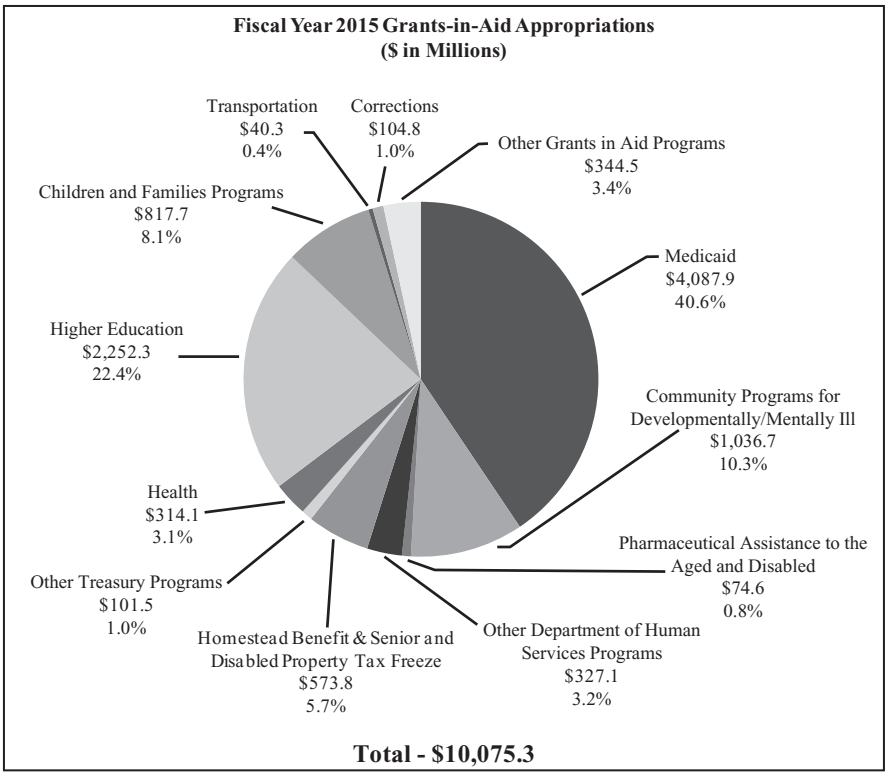
$817.7 million is appropriated for programs administered by the Department of Children and Families. Of that amount, $433.7 million is for child protective and permanency services, $320.0 million is for children's system of care services, and $64.0 million is for community programs intended to prevent child abuse and neglect.

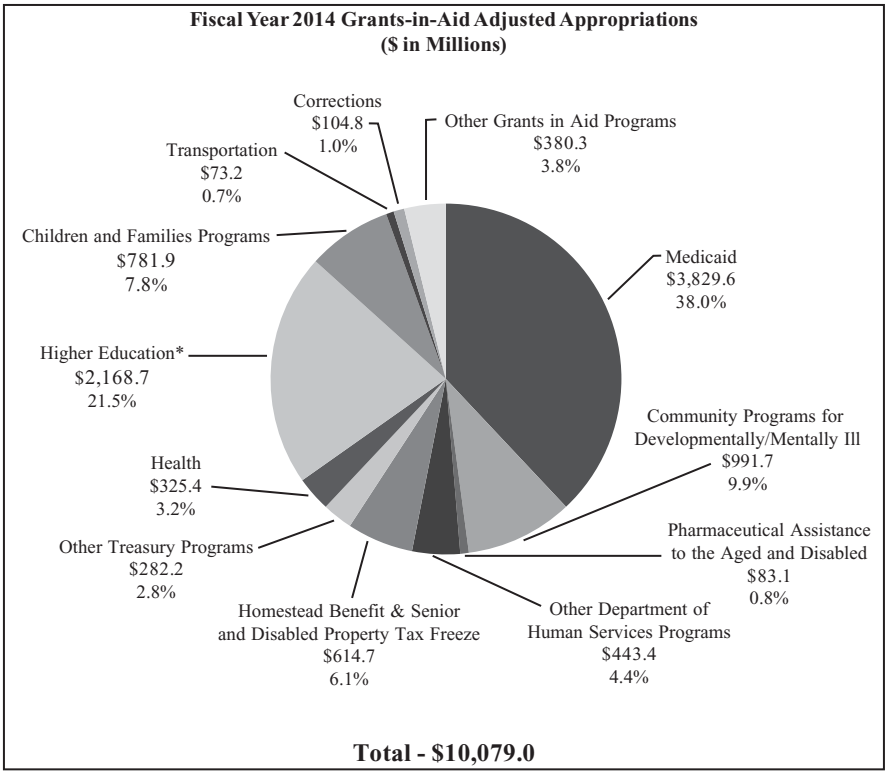
$734.8 million is appropriated for State colleges and universities. Other higher education appropriations are $563.3 million for various grant programs including $416.8 million for student financial assistance, $50.2 million for debt service on the Higher Education Capital Improvement Program, $48.4 million for debt service for the Dormitory Safety Trust Fund, the Equipment Leasing Fund, the Higher Education Facilities Trust Fund and the Higher Education Technology Infrastructure Fund, and $43.8 million for University Hospital. In addition, $954.2 million is appropriated for fringe benefit costs of employees of State higher education institutions.

$314.1 million is appropriated for programs administered by the Department of Health. Of that amount, $131.5 million is for Health Care Systems Analysis, $86.0 million is for the Early Childhood Intervention Program, $44.9 million is for Public Health Protection Services, and $21.7 million is for AIDS services.

$104.8 million is appropriated for the Department of Corrections (including the State Parole Board), consisting of $66.0 million for the purchase of community services, $36.1 million for alternative parole programs and $2.7 million for payments to county penal facilities to house State inmates.

$40.3 million is appropriated for the Department of Transportation for bus and railroad subsidies. The Fiscal Year 2015 appropriation for transit is supplemented by $295.0 million from the New Jersey Turnpike Authority and $32.9 million from the Clean Energy Fund.





* Does not include $25.9 million in lapses for Pensions.

Direct State Services

The third largest portion of the appropriations in Fiscal Year 2015 is to Direct State Services, which supports the operation of State government's departments, the Executive Office, several commissions, the State Legislature and the Judiciary. In Fiscal Year 2015, appropriations for Direct State Services aggregate to $6,827.6 million. Some of the major appropriations for Direct State Services during Fiscal Year 2015 are described below.

$2,169.9 million is appropriated in the Interdepartmental Accounts for fringe benefits for active and retired State employees, including health benefits ($1,406.7 million), pensions and non-contributory insurance ($261.4 million), employer taxes ($367.1 million), and a portion of the debt service on State Pension Funding bonds ($134.7 million) issued by the New Jersey Economic Development Authority. In addition, $62.5 million is appropriated for Fiscal Year 2015 to fund across-the-board ("ATB") salary increases and contractual employee increments for eligible employees. Contracts provide a 1.75% ATB for most civilian employees and ATB increases of 1% to 1.5% for most public safety employees. Ratified agreements do not provide any other salary increases in Fiscal Year 2015. For more information, see "STATE EMPLOYEES—Contract Status" herein.

$942.6 million is appropriated for the Department of Corrections (including the State Parole Board) and $491.8 million is appropriated for the Department of Law and Public Safety (including the Juvenile Justice Commission). Among programs funded by these appropriations are the administration of the State's correctional facilities and parole activities, and the investigative and enforcement activities of the State Police.

$607.0 million is appropriated for programs administered by the Department of Human Services. Of that amount, $467.4 million is appropriated for programs for individuals with mental illness and individuals with developmental disabilities, including the operation of four psychiatric institutions ($285.3 million), and seven developmental centers ($125.5 million); $43.1 million is appropriated for administration of the various income maintenance programs, including Work First New Jersey; and $36.1 million is appropriated for administration of the Medicaid program.

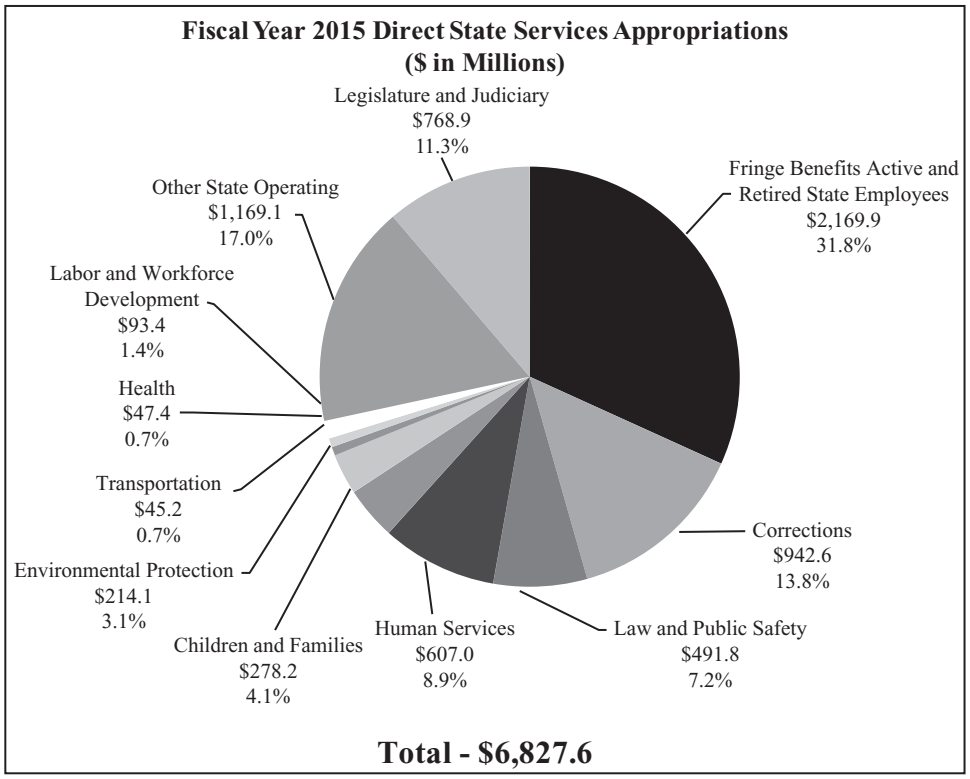
$278.2 million is appropriated for programs administered by the Department of Children and Families for various children's services programs.

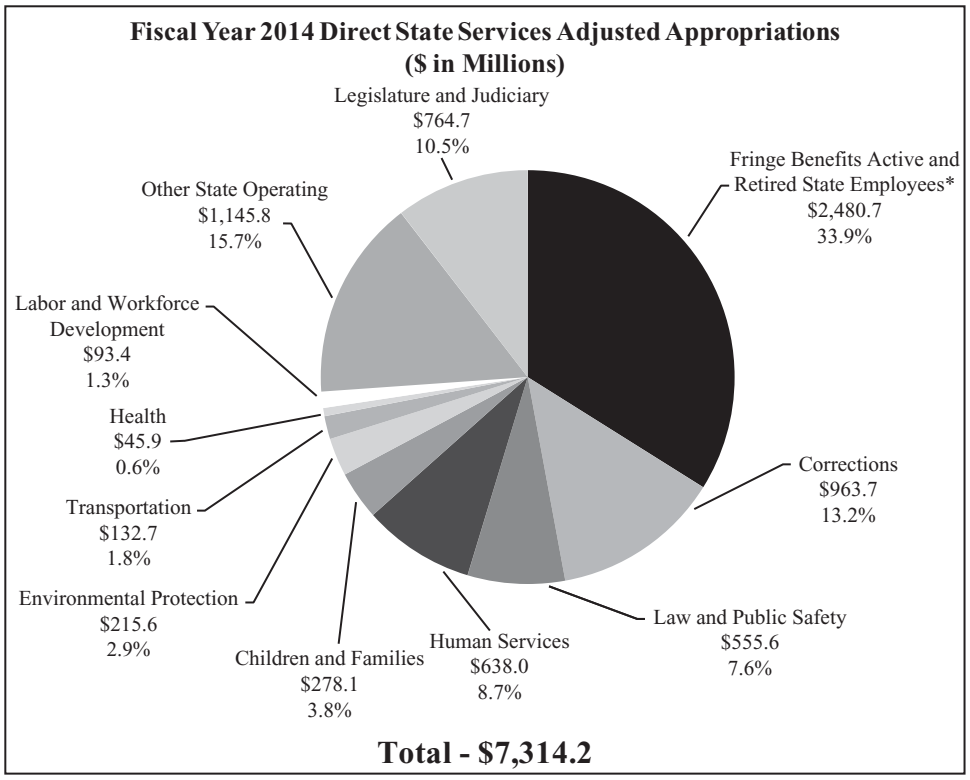
$214.1 million is appropriated for the Department of Environmental Protection for the protection of air, land, water, forest, wildlife and shellfish resources and for the provision of outdoor recreational facilities.

$93.4 million is appropriated for the Department of Labor and Workforce Development for the administration of programs for workers compensation, unemployment and temporary disability insurance, workforce development, health safety inspection, and the Civil Service Commission.

$47.4 million is appropriated for the Department of Health for the prevention and treatment of diseases, regulation of health care facilities and the uncompensated care program.

$45.2 million is appropriated for the Department of Transportation for the various programs it administers, such as the maintenance and improvement of the State highway system and winter operations.





* Does not include $307.4 million in lapses for Pensions.

Capital Construction

Capital Construction is funded by a combination of "pay-as-you-go" appropriations and bond proceeds. The Fiscal Year 2015 Appropriations Act includes appropriations of $1,573.7 million for capital construction pay-as-you-go and debt service on bonds issued to fund capital construction. This amount includes $1,264.0 million for transportation capital construction, of which $1,260.0 million is for debt service credited to the Transportation Trust Fund Subaccounts of the General Fund. Of the remainder, $97.7 million is for payments for debt service on bonds issued for open space and farmland preservation and is being credited to the Garden State Preservation Trust Fund Account of the General Fund, and $101.9 million is for debt service on New Jersey Building Authority bonds. Pay-as-you-go appropriations include $43.4 million for hazardous substance remediation and brownfields, $31.5 million for shore protection and flood control projects, $16.0 million for capital improvements for parks, forestry and wildlife management areas, and $19.1 million for Statewide life safety and emergency projects.

All appropriations for such capital projects are subject to the prior review and recommendation of the New Jersey Commission on Capital Budgeting and Planning (the "Commission"). The Commission is charged with the preparation of the State's seven-year Capital Improvement Plan. The Capital Improvement Plan is a detailed account of capital construction projects requested by State departments, agencies and institutions of higher education for the next three fiscal years and forecasts as to the requirements for capital projects for the four fiscal years following. The Capital Improvement Plan includes the Commission's recommendations as to the priority of such capital projects and the means of funding them. The Capital Improvement Plan is also required to include a report on the State's overall debt. This debt report includes information on the outstanding general obligation debt and debt service costs for the prior fiscal year, the current fiscal year, and the estimated amount for the subsequent five fiscal years. The report also provides similar information on capital leases and installment obligations. L.2009, c.304, enacted in January 2010, requires that the debt report also include data on other State liabilities as reported in the CAFR, as well as the unfunded actuarial accrued liability for pension plans and the actuarial accrued liability for other post-employment medical benefits.

For Fiscal Year 2015, requests for Capital Construction funding were substantially greater than the amount recommended by the Commission. The appropriations for Capital Construction contained in the Fiscal Year 2015 Appropriations Act are largely based on the recommendations of the Commission. There can be no assurance that the amounts appropriated are sufficient to maintain or improve the State's capital facilities and infrastructure assets, or that such capital funding requests will not be substantially greater in future years.

Debt Service on General Obligation Bonds

The State finances certain capital projects through the sale of general obligation bonds of the State. These bonds are backed by the faith and credit of the State. Certain State tax revenues and certain other fees are pledged to meet the principal payments, interest payments, and redemption premium payments, if any, required to fully pay the bonds. For a listing of bonded indebtedness that was authorized and outstanding as of June 30, 2014, see "OUTSTANDING BONDED INDEBTEDNESS OF THE STATE" herein. The appropriation for debt service on the State's general obligation bonds is $404.8 million for Fiscal Year 2015, and reflects anticipated savings from utilizing available, uncommitted amounts held in general obligation bond funds and available bond premium from the sale of general obligation bonds in May 2013. The appropriation also reflects normal increases in scheduled payments for existing general obligation bond debt service, and planned future issuances of bonds. For more information, see "FINANCIAL RESULTS AND ESTIMATES — Appropriations" above.

Expenditures

As used herein, the term "expenditures" refers to a fiscal year's net disbursements plus amounts obligated for payment in a subsequent fiscal year for both budgeted and non-budgeted funds. See "STATE FINANCES — New Jersey's Budget and Appropriation Process." The table on page I-34 displays the expenditures for Fiscal Years 2011 through 2013.

Expenditures exceed the dollar amounts enumerated in the annual appropriations acts by reason of and only to the extent of specific provisions in the authorizing acts which appropriate (or permit the expenditure of) unexpended balances of prior appropriations, certain cash receipts (such as student service fees and extension fees at State colleges) and most federal aid. Such unexpended balances, cash receipts and federal aid are not included in the tables of appropriations or revenues previously presented herein.

EXPENDITURES
($ Millions)

	For the Fiscal Year Ended June 30		
	2013	2012	2011
General Fund:			
Legislative Branch	$ 76.7	$ 78.4	$ 77.9
Chief Executive's Office	7.4	7.3	6.8
Department of:			
Agriculture	415.0	402.0	382.6
Banking and Insurance	58.2	60.7	60.3
Children and Families	1,590.4	1,519.7	1,529.8
Community Affairs	963.3	554.6	678.1
Corrections	1,145.8	1,143.3	1,180.5
Education	1,100.2	1,191.2	1,845.6
Environmental Protection	477.5	508.9	467.0
Health	1,742.2	3,266.7	3,322.3
Human Services	12,828.1	11,184.7	10,851.0
Labor and Workforce Development	837.6	798.7	818.2
Law and Public Safety	1,254.8	1,136.0	1,078.8
Military and Veterans' Affairs	147.9	135.5	134.8
State	1,217.8	1,189.7	1,192.6
Transportation	1,987.5	1,834.2	1,588.7
Treasury	2,626.2	2,760.7	2,568.3
Miscellaneous Executive Commissions	1.0	1.0	1.3
Interdepartmental Accounts	3,787.4	3,324.1	3,271.8
Judicial Branch	839.4	817.2	799.4
Total General Fund	$33,104.4	$31,914.6	$31,855.8
Property Tax Relief Fund:			
Department of:			
Community Affairs	$ 358.8	$ 424.7	$ 428.8
Education	11,511.1	10,791.0	9,638.5
Human Services	152.8	160.3	165.5
Treasury	734.4	803.4	581.1
Total Property Tax Relief Fund	$12,757.1	$12,179.4	$10,813.9
Gubernatorial Elections Fund	$ 1.8	$ —	$ —
Casino Control Fund:			
Department of:			
Law and Public Safety	$ 46.3	$ 44.8	$ 39.5
Treasury	7.9	7.6	21.2
Total Casino Control Fund	$ 54.2	$ 52.4	$ 60.7
Casino Revenue Fund:			
Department of:			
Health	$ 0.5	$ 170.4	$ 150.5
Human Services	291.8	130.5	130.5
Labor and Workforce Development	2.2	2.2	2.2
Law and Public Safety	0.1	0.1	0.1
Transportation	24.7	25.1	29.1
Total Casino Revenue Fund	$ 319.3	$ 328.3	$ 312.4
Total Expenditures	$46,236.8	$44,474.7	$43,042.8

Balance Sheets

The comparative balance sheets for the General Fund as of June 30, 2013 and 2012 and the balance sheets of the Casino Control Fund, the Casino Revenue Fund, the Gubernatorial Elections Fund and the Property Tax Relief Fund as of June 30, 2013 are set forth below:

GENERAL FUND
COMPARATIVE BALANCE SHEETS
(Audited)

	As of June 30	
	2013	**2012**
ASSETS		
Cash and cash equivalents	$ 65,261,530	$ 30,861,411
Investments	430,051,201	594,553,915
Receivables, net of allowances for uncollectibles		
Federal government	705,586,511	458,583,519
Departmental accounts	2,122,843,099	1,985,912,853
Loans	25,224,284	24,461,703
Other	160,812,592	172,823,084
Due from other funds	801,835,117	867,840,869
Other	19,027,387	4,986,001
Total Assets	$4,330,641,721	$4,140,023,355
LIABILITIES		
Accounts payable and accruals	$1,641,208,046	$1,371,923,310
Deferred revenue	310,734,895	269,582,724
Due to other funds	197,731,894	237,539,106
Other	131,977,341	200,483,708
Total Liabilities	$2,281,652,176	$2,079,528,848
Fund Balances		
Restricted	$ 82,643,138	$ 90,024,387
Committed	1,664,928,544	1,529,098,445
Unassigned	301,417,863	441,371,675
Total Fund Balances	$2,048,989,545	$2,060,494,507
Total Liabilities and Fund Balances	$4,330,641,721	$4,140,023,355

See the 2013 CAFR incorporated herein by reference, for the notes which are an integral part of these financials statements and for further information concerning the other funds of the State.

BALANCE SHEETS
AS OF JUNE 30, 2013
(Audited)

	Casino Control Fund(1)	Casino Revenue Fund(2)	Gubernatorial Elections Fund(3)	Property Tax Relief Fund(4)
ASSETS				
Cash and cash equivalents	$ 50,351	$ —	$—	$ —
Receivables, net of allowances for uncollectibles				
Department accounts	10,368,266	47,910,475	—	557,993,345
Due from other funds	9,164,581	35,408,963	—	8,951,932
Total Assets	$19,583,198	$83,319,438	$—	$566,945,277
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accruals	$ 4,429,175	$14,899,561	$—	$ 41,602,288
Deferred revenue	9,406,000	12,000	—	—
Due to other funds	—	34,068,746	—	290,043,758
Other	—	—	—	224,460,392
Total Liabilities	$13,835,175	$48,980,307	$—	$556,106,438
Fund Balances				
Committed	5,748,023	34,339,131	—	10,838,839
Total Fund Balances	$ 5,748,023	$34,339,131	$—	$ 10,838,839
Total Liabilities and Fund Balances	$19,583,198	$83,319,438	$—	$566,945,277

(1) The Casino Control Fund is used to account for fees from the issuance and annual renewal of casino licenses. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement. The Casino Control Fund was established by *N.J.S.A.* 54:12-143, approved June 2, 1977.

(2) The Casino Revenue Fund is used to account for the tax on gross revenues generated by the casinos. Gross revenue refers to the total of all sums actually received by a licensee from gaming operations, less the total sums paid out as winnings to patrons. Appropriations from this fund must be used for reductions in property taxes, utility charges and other expenses of eligible senior citizens and disabled residents. The Casino Revenue Fund was established by *N.J.S.A.* 54:12-25, approved June 2, 1977.

(3) The Gubernatorial Elections Fund is used to account for receipts from the dollar designations on New Jersey Gross Income Tax returns. When indicated by the taxpayer, one dollar of the tax is reserved from Gross Income Tax revenues and credited to the Gubernatorial Elections Fund. These funds are available for appropriation pursuant to The New Jersey Campaign Contributions and Expenditures Reporting Act (P.L. 1973, c.83), as amended. The Gubernatorial Elections Fund was established by the New Jersey Gross Income Tax Act, *N.J.S.A.* 54A:9-25, approved July 8, 1976.

(4) The Property Tax Relief Fund is used to account for revenues from the New Jersey Gross Income Tax and for revenues derived from a tax rate of 0.5% imposed under the Sales and Use Tax that is constitutionally dedicated toward property tax reform. Revenues realized from the Gross Income Tax and derived from a tax rate of 0.5% imposed under the Sales and Use Tax are dedicated by the State Constitution. All receipts from taxes levied pursuant to the New Jersey Gross Income Tax on personal income of individuals, estates, and trusts must be appropriated exclusively for the purpose of reducing or offsetting property taxes. Annual appropriations are made from the Fund, pursuant to formulas established by the State Legislature, to counties, municipalities and school districts. The Property Tax Relief Fund was established by the New Jersey Gross Income Tax Act, *N.J.S.A.* 54A:9-25, approved July 8, 1976.

OUTSTANDING BONDED INDEBTEDNESS OF THE STATE

The following table sets forth the authorized and outstanding general obligation bonded indebtedness of the State as of June 30, 2014. As of June 30, 2013, the total amount outstanding was $2,400,910,000. See also "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION" and "MORAL OBLIGATION FINANCING" herein.

Bond Act	Year Authorized	Final Maturity	Amount Authorized	Amount Unissued	Amount Retired (1)	Amount Outstanding
Clean Waters	1976	2023	$ 120,000,000	$ 3,400,000	$ 116,020,000	$ 580,000
State Land Acquisition and Development	1978	2022	200,000,000	—	199,350,000	650,000
Natural Resources	1980	2023	145,000,000	9,600,000	132,445,000	2,955,000
Energy Conservation	1980	2023	50,000,000	1,600,000	48,340,000	60,000
Water Supply	1981	2023	350,000,000	73,150,000	268,275,000	8,575,000
Hazardous Discharge	1981	—	100,000,000	43,000,000	57,000,000	—
New Jersey Green Acres	1983	—	135,000,000	14,500,000	120,500,000	—
Pinelands Infrastructure Trust	1985	2023	30,000,000	6,750,000	22,715,000	535,000
Hazardous Discharge	1986	2033	200,000,000	38,000,000	152,305,000	9,695,000
Green Acres, Cultural Centers and Historic Preservation	1987	2022	100,000,000	1,000,000	95,255,000	3,745,000
Jobs, Education & Competitiveness	1988	2015	350,000,000	—	349,600,000	400,000
New Jersey Open Space Preservation	1989	2023	300,000,000	22,600,000	275,475,000	1,925,000
Public Purpose Buildings and Community-Based Facilities Construction	1989	2015	125,000,000	5,000,000	119,545,000	455,000
Stormwater Management and Combined Sewer Overflow Abatement	1989	2033	50,000,000	9,500,000	32,980,000	7,520,000
New Jersey Green Acres, Clean Water, Farmland & Historic Preservation	1992	2023	345,000,000	12,880,000	321,235,000	10,885,000
Developmental Disabilities Waiting List Reduction and Human Services Facilities Construction	1994	2023	160,000,000	—	154,970,000	5,030,000
Green Acres, Farmland and Historic Preservation, and Blue Acres	1995	2033	340,000,000	18,000,000	309,670,000	12,330,000
Port of New Jersey Revitalization, Dredging Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development	1996	2033	300,000,000	87,500,000	139,085,000	73,415,000
Statewide Transportation and Local Bridge	1999	2023	500,000,000	—	478,550,000	21,450,000
Dam, Lake, Stream, Flood Control, Water Resources and Wastewater Treatment Project	2003	2033	200,000,000	38,750,000	99,250,000	62,000,000
Green Acres, Farmland, Blue Acres, and Historic Preservation	2007	2033	200,000,000	27,500,000	82,285,000	90,215,000
Green Acres, Water Supply and Floodplain Protection and Farmland and Historic Preservation	2009	2033	400,000,000	230,500,000	5,200,000	164,300,000
Building Our Future	2012	2033	750,000,000	650,000,000	3,065,000	96,935,000
Refunding (2)	1985	2023	6,134,329,598	—	4,550,519,598	1,583,810,000
Totals			$11,584,329,598	$1,293,230,000	$8,133,634,598	$2,157,465,000

(1) The amounts shown under the "Amount Retired" column include bonds for which provision for payment has been made through the issuance of refunding bonds.

(2) The amount shown under the "Amount Authorized" column represents the aggregate amount of refunding bonds issued. The Refunding Bond Act does not limit the amount of refunding bonds which may be issued, provided certain other restrictions are met. The issuance of refunding bonds may defease bonds previously issued under any bond act.

The following table sets forth the future debt service on outstanding general obligation bonds as of June 30, 2014.

Fiscal Year	Principal	Interest	Total
2015	$ 309,770,000	$ 98,826,888	$ 408,596,888
2016	363,025,000	82,809,831	445,834,831
2017	235,120,000	67,242,963	302,362,963
2018	218,040,000	55,697,341	273,737,341
2019	216,555,000	44,653,197	261,208,197
2020	247,605,000	32,795,013	280,400,013
2021	185,700,000	21,917,863	207,617,863
2022	112,080,000	14,976,294	127,056,294
2023	57,100,000	10,589,656	67,689,656
2024	17,840,000	8,313,300	26,153,300
2025	18,550,000	7,599,700	26,149,700
2026	19,110,000	7,043,200	26,153,200
2027	19,875,000	6,278,800	26,153,800
2028	20,670,000	5,483,800	26,153,800
2029	21,495,000	4,657,000	26,152,000
2030	22,355,000	3,797,200	26,152,200
2031	23,250,000	2,903,000	26,153,000
2032	24,180,000	1,973,000	26,153,000
2033	25,145,000	1,005,800	26,150,800
Totals	$2,157,465,000	$478,563,845	$2,636,028,845

TAX AND REVENUE ANTICIPATION NOTES

The State issues tax and revenue anticipation notes ("TRANs") to aid in providing effective cash flow management by funding imbalances which occur in the collection and disbursement of the General Fund and Property Tax Relief Fund revenues.

Such TRANs do not constitute a general obligation of the State or a debt or liability within the meaning of the State Constitution. Such TRANs constitute special obligations of the State payable solely from monies on deposit in the General Fund and the Property Tax Relief Fund and legally available for such payment.

On July 1, 2014, the State Treasurer adopted a resolution authorizing the issuance of TRANs for Fiscal Year 2015. Pursuant thereto, on July 1, 2014, the State Treasurer entered into a Note Purchase Contract with JPMorgan Chase Bank, N.A. ("JPMorgan") pursuant to which the State issued its TRANs Series Fiscal 2015A to JPMorgan on July 1, 2014 in the amount of $2,600,000,000. The TRANs Series Fiscal 2015A mature on June 26, 2015. The State does not expect to issue additional TRANs in Fiscal Year 2015.

OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION

The State has entered into a number of leases and contracts described below (collectively, the "Agreements") with several governmental authorities to secure the financing of various projects and programs in the State. Under the terms of the Agreements, the State has agreed to make payments equal to the debt service on, and other costs related to, the obligations sold to finance the projects, including payments on swap agreements defined below. The State Legislature has no legal obligation to enact appropriations to fund such payments, but has done so to date for all such obligations. The amounts appropriated to make such payments are included in the appropriation for the department, authority or other entity administering the program or in other line item appropriations. See "STATE FINANCES — New Jersey's Budget and Appropriation Process" and "FINANCIAL RESULTS AND ESTIMATES — Appropriations" herein. The principal amount of bonds which may be issued and the notional amount of swaps which may be entered into by such governmental authorities is, in certain cases, subject to specific statutory dollar ceilings or programmatic restrictions which effectively limit such amounts. In other cases, there are currently no such ceilings or limitations. In addition, the State Legislature may at any time impose, remove, increase or decrease applicable existing ceilings and impose, modify or remove programmatic restrictions. The State Legislature may also authorize new Agreements with the governmental authorities listed below or other governmental authorities to secure the financing of projects and programs in the future.

The State expects that additional obligations supported by State revenues subject to appropriation will be issued during Fiscal Year 2015 and future Fiscal Years. The amount of such obligations issued in the future could be significant. The amendment to the Debt Limitation Clause, described under "CERTAIN CONSTITUTIONAL PROVISIONS — Debt Limitations" herein, may inhibit the enactment of legislation authorizing obligations supported by State revenues subject to appropriation. The State Legislature is not legally obligated to appropriate amounts for the payment of such debt service in any year, and there can be no assurance that the State Legislature will make any such appropriations. Future legislative action may depend in part on various factors including the financial condition of the State. See also the table captioned "STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2013 AND 2012" in the 2013 CAFR

The following tables set forth the bond obligations that are supported by State revenues subject to appropriation by the State Legislature. The first table summarizes by issuer and by program the principal amount outstanding on June 30, 2014 and the estimated Fiscal Year 2015 debt service on such obligations. The second table depicts the aggregate estimated future debt service as of June 30, 2014 on all such obligations subject to annual appropriation as described herein. The data contained in the tables has not been adjusted to reflect subsequent activity. The tables include certain data that are (1) for governmental entities or programs that are not considered part of the State's long-term obligations for financial reporting purposes under generally accepted accounting principles or (2) for a component unit of the State. These items are therefore not reflected in Note 10 — Long-Term Obligations and the Schedule of Long-Term Debt in the 2013 CAFR. In addition, there are certain obligations which are included in such Note 10, which are not included in the following tables or elsewhere in this Appendix I. The amounts included in Note 10 which are not included in the following tables include payments to private businesses under the Business Employment Incentive Program. As noted above under FINANCIAL RESULTS AND ESTIMATES — Fiscal Year 2014 and Fiscal Year 2015 Estimated Resources — *Non-recurring Resources*, the Fiscal Year 2015 Appropriations Act failed to include an appropriation for payments expected to be made under such program in Fiscal Year 2015. The State Legislature has never failed to appropriate amounts for the payment of debt service on obligations included in the following tables:

SUMMARY OF OBLIGATIONS SUBJECT TO ANNUAL APPROPRIATION AS OF JUNE 30, 2014

Issuer	Type of Agreement	Principal Amount Outstanding(1)	Fiscal Year 2015 Debt Service(2)
Garden State Preservation Trust	Contract	$ 940,189,410	$ 97,638,171
New Jersey Building Authority	Lease	541,855,000	101,007,581
New Jersey Economic Development Authority			
Economic Recovery Fund	Contract	132,900,459	25,601,875
Liberty State Park — Park Projects	Lease	10,295,000	1,496,013
Liberty State Park — Science Center Projects	Lease	75,815,000	7,299,606
New Jersey Performing Arts Center	Lease	10,455,000	5,545,440
State Pension Funding	Contract	2,322,283,187	341,726,677
Department of Human Services Programs	Service Contract	14,210,000	2,512,300
New Jersey Transit Light Rail System	Lease	213,400,000	51,808,955
State Office Buildings Projects	Lease	26,685,000	5,264,050
School Facilities Construction	Contract	8,772,849,000	587,738,165
Municipal Rehabilitation	Contract	136,715,000	14,113,205
Motor Vehicle Commission	Contract	55,490,185	73,325,000
Business Employment Incentive Program	Contract	45,710,000	27,803,399
Motor Vehicle Surcharges Revenue	Contract	779,772,356	36,589,056
Motor Vehicle Surcharges Revenue — Special Needs Housing	Contract	206,508,197	5,546,175
Cigarette Tax Revenue	Contract	892,495,000	111,354,250
Lafayette Yard Hotel Project	Lease	11,940,000	2,115,264
State Police Barracks Project	Lease	6,845,000	954,469
New Jersey Educational Facilities Authority			
Capital Improvement Fund	Contract	507,210,000	50,211,411
Dormitory Safety Trust Fund	Contract	11,970,000	6,225,410
Public Library Project Grant Program	Contract	26,885,000	3,750,750
Equipment Leasing Fund Program	Contract	89,340,000	16,573,408
Technology Infrastructure Fund	Contract	38,110,000	3,735,740
New Jersey Health Care Facilities Financing Authority			
Greystone Park Psychiatric Hospital Project	Contract	210,840,000	15,108,988
Hospital Asset Transformation Program	Contract	419,110,000	31,869,097
Marlboro Psychiatric Hospital Project	Contract	73,530,000	6,327,575
New Jersey Sports and Exposition Authority	Contract	440,465,000	68,359,169
New Jersey Transportation Trust Fund Authority			
Transportation System Bonds	Contract	13,054,655,716	984,443,219
Transportation Program Bonds	Contract	1,748,700,000	120,333,013
State of New Jersey Certificates of Participation New Jersey Transit, Transportation Equipment	Lease	671,145,000	88,217,731
State-Supported County College Bonds	Statutory	200,662,522	34,742,976
State Equipment Line of Credit	Lease	84,963,922	35,080,941
TOTALS		$32,773,999,952	$2,964,419,076

(1) Amounts for outstanding capital appreciation bonds do not include accretion from date of issuance.

(2) For variable rate obligations, interest amounts were calculated using the rates in effect on June 30, 2014. (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION — Variable Rate Obligations" herein).

ESTIMATED FUTURE DEBT SERVICE SUBJECT TO APPROPRIATION
AS OF JUNE 30, 2014

Fiscal Year	Principal (1)	Estimated Interest(1)(2)	Total
2015(3)	$ 1,318,263,473	$ 1,646,155,603	$ 2,964,419,076
2016(4)	1,881,527,886	1,578,197,004	3,459,724,890
2017(5)	1,868,526,880	1,556,060,641	3,424,587,521
2018(6)	2,085,096,201	1,513,365,748	3,598,461,949
2019	1,779,685,429	1,482,562,999	3,262,248,428
2020	1,617,732,772	1,439,509,576	3,057,242,347
2021	1,610,177,255	1,351,976,841	2,962,154,096
2022	1,581,414,199	1,307,940,182	2,889,354,381
2023	1,625,118,743	1,238,314,483	2,863,433,226
2024	1,571,844,558	1,172,902,459	2,744,747,017
2025	1,484,888,576	1,242,384,241	2,727,272,816
2026(7)	1,702,287,552	1,015,429,900	2,717,717,452
2027	1,746,011,973	882,174,570	2,628,186,543
2028(8)	1,998,481,325	793,099,936	2,791,581,261
2029	1,513,490,958	742,578,343	2,256,069,301
2030	805,088,820	610,359,821	1,415,448,642
2031	659,145,310	587,476,974	1,246,622,284
2032	605,582,148	570,621,130	1,176,203,279
2033	633,208,548	529,982,395	1,163,190,943
2034	691,521,831	505,325,644	1,196,847,475
2035	662,939,809	479,550,028	1,142,489,837
2036	465,054,570	573,165,851	1,038,220,422
2037	435,694,324	534,687,157	970,381,481
2038	404,656,526	543,890,743	948,547,269
2039	384,203,420	613,928,567	998,131,988
2040	569,630,782	491,165,080	1,060,795,863
2041	760,851,082	177,242,843	938,093,925
2042	207,980,000	15,593,750	223,573,750
2043	50,680,000	5,194,750	55,874,750
2044	53,215,000	2,660,750	55,875,750
	$32,773,999,952	$25,203,498,009	$57,977,497,961

(1) For capital appreciation bonds, the original issue amount is reflected as principal and the accretion in value from the date of issuance is reflected as interest in the year of bond maturity.

(2) For variable rate obligations, interest amounts were calculated using the rates in effect on June 30, 2014. (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION - Variable Rate Obligations" herein).

(3) The principal amount includes $119,060,000 School Facilities Construction Notes, 2012 Series G that mature February 1, 2015. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

(4) The principal amount includes $242,495,000 School Facilities Construction Notes, 2011 Series E that mature February 1, 2016 and $47,620,000 State Building Revenue Bond Anticiption Notes, 2013 Series that mature June 15, 2016. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

(5) The principal amount includes $119,060,000 School Facilities Construction Notes, 2012 Series H that mature February 1, 2017. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

(6) The principal amount includes $65,620,000 School Facilities Construction Notes, 2011 Series C; $150,000,000 School Facilities Construction Notes, 2011 Series D; $25,000,000 School Facilities Construction Notes, 2011 Series E and $45,000,000 School Facilities Construction Notes, 2011 Series F that will mature February 1 2018. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

(7) The principal amount includes $60,850,000 School Facilities Construction Notes, 2013 Series I that mature September 1, 2025. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

(8) The principal amount includes $89,580,000 School Facilities Construction Notes, 2013 Series I that mature September 1, 2027 and $230,085,000 School Facilities Construction Notes, 2013 Series I that will mature March 1, 2028. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

Garden State Preservation Trust

The Garden State Preservation Trust ("GSPT") issues bonds for the purpose of preserving open space and farmland. Pursuant to the Garden State Preservation Trust Act, as amended, the principal amount of bonds, notes or other obligations which could have been issued prior to July 1, 2009, other than refunding bonds, cannot exceed $1.15 billion. The GSPT has exhausted its $1.15 billion statutory bonding authorization. After July 1, 2009, only refunding bonds can be issued. The bonds issued by the GSPT are special obligations of the GSPT payable from amounts paid to it under a contract between the GSPT and the State Treasurer, subject to appropriation by the State Legislature.

New Jersey Building Authority

The New Jersey Building Authority ("NJBA") issues bonds for the acquisition, construction, renovation and rehabilitation of various State office buildings, historic buildings and correctional facilities. Pursuant to a lease agreement, the State makes rental payments to the NJBA in amounts sufficient to pay debt service on the bonds, subject to appropriation by the State Legislature.

New Jersey Economic Development Authority

The New Jersey Economic Development Authority (the "NJEDA") is authorized to issue bonds for various purposes described below.

The Economic Recovery Bonds have been issued pursuant to legislation enacted in 1992 to finance various economic development purposes. Pursuant to that legislation, the NJEDA and the State Treasurer entered into an agreement through which the NJEDA has agreed to undertake the financing of certain projects and the State Treasurer has agreed to credit to the Economic Recovery Fund from the General Fund amounts equivalent to payments due to the State under an agreement with the Port Authority of New York and New Jersey, subject to appropriation by the State Legislature.

Pursuant to the Business Employment Incentive Program Act, L. 1996, c. 26, the NJEDA has entered into agreements with various private businesses in order to provide business employment incentive grants ("BEIP grants") in consideration for the attainment of certain employment promotion targets as established therein. L. 2003, c. 166, authorizes the NJEDA to issue bonds to provide funds (i) for the payment of the BEIP grants, and (ii) to be used by the NJEDA for the purposes enumerated in subsections a. and b. of section 4 of L. 1992, c. 16 (*C.* 34:1B-7.13) for payments to designated businesses. Debt service on the bonds is payable pursuant to a contract between the State Treasurer and the NJEDA, subject to appropriation by the State Legislature.

The State Pension Funding Bonds were issued pursuant to legislation enacted June 1997 to pay a portion of the State's unfunded accrued pension liability for the State's retirement system, which together with amounts derived from the revaluation of pension assets pursuant to companion legislation enacted at the same time, were sufficient to fully fund the then unfunded accrued pension liability at that time. Debt service on the bonds is payable pursuant to a contract between the State Treasurer and the NJEDA, subject to appropriation by the State Legislature.

The Educational Facilities Construction and Financing Act, L. 2000, c. 72 ("EFCFA") authorizes the NJEDA to issue bonds to finance the State share of costs for school facilities construction projects. EFCFA originally provided that the aggregate principal amount of bonds, notes or other obligations issued by NJEDA shall not exceed: $100,000,000 for the State share of costs for county vocational school district school facilities projects, $6,000,000,000 for the State share of costs for "Abbott District" school facilities projects, and $2,500,000,000 for the State share of costs for school facilities projects in all other districts. Debt service on the bonds issued pursuant to EFCFA is paid pursuant to a contract between the State Treasurer and the NJEDA, subject to appropriation by the State Legislature.

EFCFA was amended in July 2008 to increase the amount of bonds, notes or other obligations authorized to be issued by the NJEDA in additional aggregate principal amounts not to exceed: $2,900,000,000 for the State

share of costs for school facilities projects in the "SDA Districts" (formerly "Abbott Districts"), $1,000,000,000 for the State share of costs for school facilities projects in all other districts, and $50,000,000 for the State share of costs for county vocational school district facilities projects. In regard to this increase in the amount of bonds authorized to be issued by NJEDA pursuant to this amendment, debt service on these bonds or refunding bonds issued by NJEDA and any additional costs authorized pursuant to Section 14 of EFCFA shall first be payable from revenues received from the New Jersey Gross Income Tax except that debt service on bonds issued to pay for administrative, insurance, operating and other expenses of the NJEDA and the Schools Development Authority in connection with school facilities projects shall be payable from the General Fund. The additional bonds issued pursuant to this amendment are also payable pursuant to the contract between the State Treasurer and the NJEDA, mentioned above, subject to appropriation by the State Legislature.

The Municipal Rehabilitation and Economic Recovery Act, L. 2002, c. 43 (*N.J.S.A.* 52:27BBB-1 *et seq.*), authorizes the NJEDA to issue bonds for the purpose of making deposits into certain funds described in *N.J.S.A.* 52:27BBB-49 and *N.J.S.A.* 52:27BBB-50, to provide loans and grants to sustain economic activity in qualified municipalities under the Act. Debt service on the bonds is paid pursuant to a contract between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature.

The Motor Vehicle Security and Customer Service Act, L. 2003, c. 13, authorizes the NJEDA to issue bonds to pay the costs of capital improvements for New Jersey Motor Vehicle Commission facilities. The legislation provides that bonds shall not be issued in an aggregate principal amount exceeding $160 million without the prior approval of the Joint Budget Oversight Committee ("JBOC") of the State Legislature. The bonds are secured by the monies in the Market Transition Facility Revenue Fund.

The Motor Vehicle Surcharges Securitization Act of 2004, L. 2004, c. 70, authorizes the NJEDA to issue bonds payable from, and secured by, dedicated motor vehicle surcharge revenues as defined in the legislation, with the pledge of certain of the surcharges being subject and subordinate to the Motor Vehicle Commission Bonds. Debt service on the bonds is payable pursuant to a contract between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature. Pursuant to L. 2005, c. 163, L. 2004, c. 70 was amended to authorize the issuance of bonds by NJEDA in an amount not to exceed $200 million to fund grants and loans for the costs of special needs housing projects in the State. The expenditure of the funds is administered by the New Jersey Housing and Mortgage Finance Agency.

The Cigarette Tax Securitization Act of 2004, L. 2004. c. 68, authorizes the NJEDA to issue bonds payable from, and secured by, a dedicated portion, $0.0325 per cigarette, of the cigarette tax imposed pursuant to *N.J.S.A.* 54:40A-1 *et seq.* Debt service on the bonds is payable pursuant to a contract between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature.

The NJEDA is authorized to issue bonds to purchase a redevelopment revenue bond (the "City Bond") issued by the City of Trenton. The City Bond was issued to refund a portion of bonds issued by a non-profit corporation to construct the Lafayette Yard hotel and conference center project in Trenton. The NJEDA Bonds are secured by the principal and interest payments on the City Bond, which, in turn, are payable solely from payments in lieu of taxes (the "PILOTS") made by the NJEDA. The PILOTS are payable solely from supplemental rent the State pays to the NJEDA under a lease, subject to appropriation by the State Legislature.

L. 2006, c.102 authorized the issuance of $270 million of bonds by the NJEDA to fund various State capital construction projects, including stem cell research facilities in New Brunswick and Newark, biomedical research facilities, blood collection facilities and cancer research facilities. Debt service on the bonds shall be paid pursuant to a contract to be entered into between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature. No bonds have been issued.

The NJEDA has issued revenue bonds on behalf of non-profit community service providers. The payment of debt service on these revenue bonds as well as the payment of certain other provider expenses is made by the State pursuant to service contracts between the State Department of Human Services and these providers, subject to appropriation by the State Legislature. The contracts have one year terms, subject to annual renewal.

In addition, the State has entered into a number of leases with the NJEDA relating to the financing of certain real property, office buildings and equipment. The rental payments required to be made by the State under these lease agreements are sufficient to pay debt service on the bonds issued by the NJEDA to finance the acquisition and construction of such projects and other amounts payable to the NJEDA, including certain administrative expenses of the NJEDA. Amounts payable under the lease agreements are subject to appropriation by the State Legislature.

New Jersey Educational Facilities Authority

The New Jersey Educational Facilities Authority ("NJEFA") issues bonds pursuant to seven separate legislative programs to finance: (i) the purchase of equipment to be leased to institutions of higher learning (the "Equipment Leasing Fund"); (ii) grants to the State's public and private institutions of higher education for the development, construction and improvement of instructional, laboratory, communication and research facilities (the "Facilities Trust Fund"); (iii) grants to public and private institutions of higher education to develop a technology infrastructure within and among the State's institutions of higher education (the "Technology Infrastructure Fund"); (iv) capital projects at county colleges; (v) grants to public and private institutions of higher education to finance the renewal, renovation, improvement, expansion, construction, and reconstruction of educational facilities and technology infrastructure (the "Capital Improvement Fund"); (vi) grants to public libraries to finance the acquisition, expansion and rehabilitation of buildings to be used as public library facilities and the acquisition and installation of equipment to be located therein (the "Public Library Project Grant Program"); and (vii) loans to public and private institutions of higher education and public or private secondary schools, military schools or boarding schools located in the State which are required under the Dormitory Safety Trust Fund Act to install automatic fire suppression systems for the cost or a portion of the cost of the construction, reconstruction, development, extension or improvement of dormitory safety facilities, including fire prevention and sprinkler systems (the "Dormitory Safety Trust Fund"). The debt service on the bonds issued under these programs is payable by the State pursuant to statutory provisions or contracts between the NJEFA and the State Treasurer subject to appropriation by the State Legislature. Under the financing programs for the Equipment Leasing Fund, the Facilities Trust Fund, the Technology Infrastructure Fund and the Capital Improvement Fund, as bonds mature and/or are redeemed, the bonding capacity revolves. As of June 30, 2014, under these programs, the NJEFA has, in aggregate, approximately $290 million of bonding capacity.

New Jersey Health Care Facilities Financing Authority

The New Jersey Health Care Facilities Financing Authority ("HCFFA") is authorized to acquire, construct and lease projects to the New Jersey Department of Human Services ("DHS") and to issue bonds to finance such projects, the debt service on which shall be paid by DHS, subject to appropriation by the State Legislature.

Under the Hospital Asset Transformation Program established by L. 2000, c. 98 and as amended by L. 2007, c. 110, and L. 2009. c. 2, HCFFA is authorized to issue bonds to provide funds to any nonprofit health care organization in order to, among other things, satisfy the outstanding indebtedness of a hospital, pay the costs of transitioning or terminating the provision of hospital acute care services at a specific location, including the costs of construction, renovation, equipment, information technology and working capital, and pay the costs associated with the closure or acquisition of a general hospital. Such bonds are special obligations of HCFFA payable from amounts paid to it under a contract between HCFFA and the State Treasurer, subject to appropriation by the State Legislature.

New Jersey Sports and Exposition Authority

The New Jersey Sports and Exposition Authority (the "NJSEA") issues bonds for various purposes payable from a contract between the NJSEA and the State Treasurer (the "NJSEA State Contract"). Pursuant to the NJSEA State Contract, the NJSEA undertakes certain projects and the State Treasurer credits to the NJSEA amounts from the General Fund sufficient to pay debt service and other costs related to the bonds, subject to appropriation by the State Legislature.

New Jersey Transportation Trust Fund Authority

The New Jersey Transportation Trust Fund Authority (the "TTFA") issues bonds for the purpose of funding a portion of the State's share of the cost of improvements to the State's transportation system. The bonds issued by the TTFA are special obligations of the TTFA payable from a contract ("State Contract") among the TTFA, the State Treasurer and the Commissioner of Transportation, subject to appropriation by the State Legislature. The issuance of refunding bonds to refund prior obligations of the TTFA is not subject to the debt issuance restrictions described below, but is subject to the approval of the JBOC.

On June 29, 2012, the New Jersey Transportation Trust Fund Authority Act of 1984, as amended (the "TTFA Act") was further amended by L. 2012, c. 13 (the "Reauthorization Act"). Pursuant to the Reauthorization Act, the principal amount of the TTFA's bonds, notes or other obligations which can be issued in any fiscal year generally cannot exceed: $1,247,000,000 for the fiscal year beginning July 1, 2012, $849,200,000 for the fiscal year beginning July 1, 2013, $735,300,000 for the fiscal year beginning July 1, 2014, and $626,800,000 for the fiscal year beginning July 1, 2015; except that if the permitted amount of debt, or any portion thereof, is not incurred in a fiscal year, it may be issued in a subsequent fiscal year. In addition, 30 percent of the permitted amount of Reauthorization Act bonds for a fiscal year may be issued in the fiscal year preceding such fiscal year, subject to certain restrictions. The payment of debt service on Reauthorization Act bonds, notes or other obligations must be paid solely from revenues dedicated for transportation purposes pursuant to Article VIII, Section II, paragraph 4 of the State Constitution.

The issuance of bonds permitted by the Reauthorization Act, along with (i) contributions from the Port Authority of New York and New Jersey and (ii) future pay-as-you-go funding, will support the annual $1.6 billion transportation capital plan required by the Reauthorization Act.

State of New Jersey Certificates of Participation

The State, acting through the Director of the Division of Purchase and Property, has entered into a series of lease purchase agreements which provide for the acquisition of equipment, services and real property to be used by various departments and agencies of the State. Certificates of Participation in such lease purchase agreements have been issued. A Certificate of Participation represents a proportionate interest of the owner thereof in the lease payments to be made by the State under the terms of the lease purchase agreement, subject to appropriation by the State Legislature.

State Supported County College Bonds

Legislation provides for appropriations for State Aid to counties equal to a portion of the debt service on bonds issued by or on behalf of such counties for construction of county college facilities (L. 1971, c. 12, as amended). The State Legislature has no legal obligation to make such appropriations, but has done so to date for all obligations issued under this legislation. The NJEFA is also authorized to issue its obligations to finance county college capital facilities which are secured in whole or in part by an agreement with the State Treasurer, subject to appropriation by the State Legislature.

Lines of Credit

The State finances the acquisition of certain equipment, vehicles, services and real property to be used by various State departments through lines of credit established from time to time with one or more financial services providers. Repayments of amounts drawn under the lines of credit are subject to appropriation by the State Legislature.

Variable Rate Obligations

As of June 30, 2014, the TTFA had in aggregate $297,500,000 of variable rate demand bonds outstanding, with interest rates that reset weekly. Such variable rate demand bonds are secured by respective agreements with the State Treasurer, and are further supported by bank-issued letters of credit.

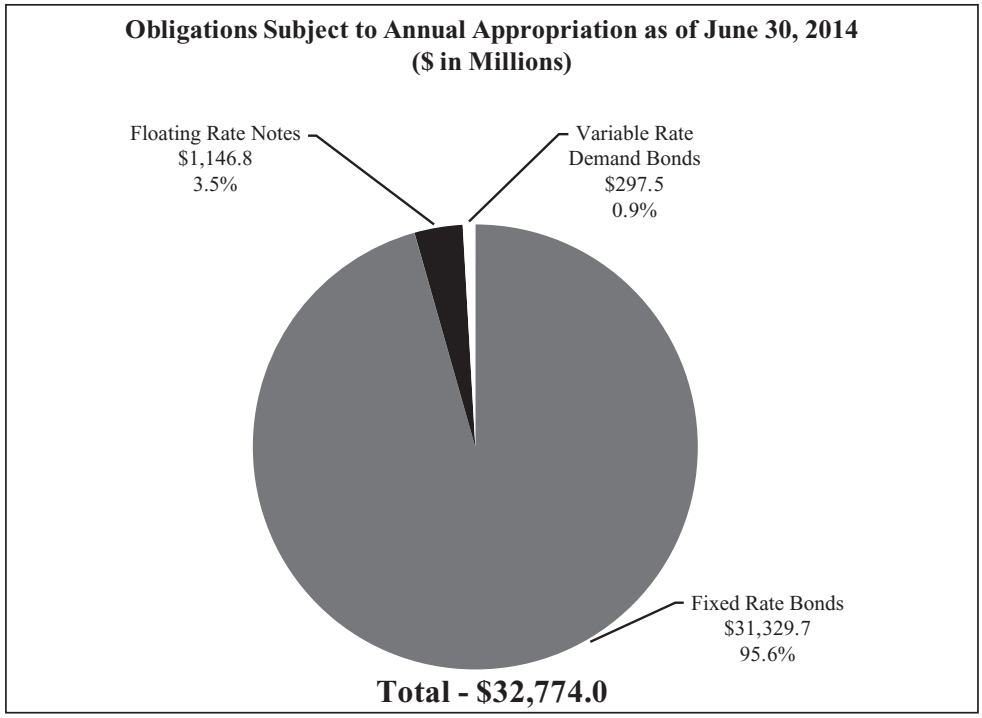
Additionally, as of June 30, 2014, the NJEDA had outstanding $1,146,750,000 of floating rate notes, which bear interest at a rate that resets monthly or weekly and is based on either the London InterBank Offering Rate ("LIBOR") plus a fixed spread or the Securities Industry and Financial Markets Association ("SIFMA") rate plus a fixed spread. There are no letters of credit in support of these notes.

The following table provides a summary of the State-supported variable rate obligations outstanding as of June 30, 2014.

SUMMARY OF VARIABLE RATE OBLIGATIONS AS OF JUNE 30, 2014

Issuer	Series	Type-Reset Period	Amount Outstanding as of 06/30/14	Index Rate (if applicable)	Interest Rate as of 06/30/14	Letter of Credit Bank
NJEDA (School Facilities Construction Bonds)	2011 Series C	FRN-Weekly	$ 65,620,000	SIFMA + 1.80%	1.860%	None
	2011 Series D	FRN-Monthly	150,000,000	70% 1-Month LIBOR + 1.80%	1.905%	None
	2011 Series E	FRN-Weekly	242,495,000	SIFMA + 1.70%	1.760%	None
	2011 Series E	FRN-Weekly	25,000,000	SIFMA + 1.90%	1.960%	None
	2011 Series F	FRN-Monthly	45,000,000	70% 1-Month LIBOR + 1.90%	2.005%	None
	2012 Series G	FRN-Weekly	119,060,000	SIFMA + 0.58%	0.640%	None
	2012 Series H	FRN-Weekly	119,060,000	SIFMA + 0.90%	0.960%	None
	2013 Series I	FRN-Weekly	60,850,000	SIFMA + 1.25%	1.310%	None
	2013 Series I	FRN-Weekly	89,580,000	SIFMA + 1.55%	1.610%	None
	2013 Series I	FRN-Weekly	230,085,000	SIFMA + 1.60%	1.660%	None
TTFA	2009 Series C	VRDB-Weekly	150,000,000	n/a	0.06%	Wells Fargo
	2009 Series D	VRDB-Weekly	147,500,000	n/a	0.05%	Wells Fargo
		Total	$1,444,250,000			

The following table provides a summary, by type, of the State's subject to appropriation bonds and notes as of June 30, 2014.



Swap Agreements

The obligation of various independent State authorities to make payments with respect to certain financings includes payments related to interest rate exchange agreements listed below ("swap agreements"). Under such a swap agreement, the issuer will make periodic payments to the swap counterparty at either a fixed or variable rate of interest, and will receive periodic payments from the swap counterparty at either a variable or fixed rate of interest, such interest calculations based on the principal or "notional" amount of the swap agreement. If the swap agreement is terminated prior to its stated termination date, either the issuer or the swap counterparty may be required to make a termination payment to the other party. The independent State authorities' obligations to make payments under the swap agreements are subject to appropriation by the State Legislature.

The NJEDA has outstanding swap agreements with eight different counterparties. The following table provides a summary of the State-supported swap agreements as of June 30, 2014.

Summary of
Interest Rate Swap Agreements
As of June 30, 2014

Bond Issuer	Counterparty	Outstanding Notional Amount	Amended Effective Date	Amended Termination Date	Fixed Rate	Floating Index
NJEDA (School Facilities Construction Bonds)						
	Variable-to-Fixed Swaps					
	Bank of America, N.A.	$ 64,007,500	6/15/2013	9/1/2031	4.40740%	71.98% 1-Month LIBOR
	Bank of Montreal	121,173,442	6/15/2013	9/1/2034	4.54850%	62% 1-Month LIBOR+40 bps
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	49,147,500	6/15/2013	3/1/2031	4.29590%	70.8% 1-Month LIBOR
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	78,167,500	6/15/2013	9/1/2031	4.40740%	71.98% 1-Month LIBOR
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	91,057,500	6/15/2013	9/1/2032	4.39900%	71.57% 1-Month LIBOR
	Merrill Lynch Capital Services, Inc.	179,715,804	6/15/2013	3/1/2035	4.25100%	62% 1-Month LIBOR+40 bps
	Natixis Financial Products, Inc.	95,420,217	6/15/2013	9/1/2033	4.48900%	62% 1-Month LIBOR+40 bps
	Royal Bank of Canada	90,460,000	6/15/2013	3/1/2034	4.51240%	62% 1-Month LIBOR+40 bps
	UBS AG, Stamford Branch	64,322,500	1/20/2011	9/1/2029	4.06250%	71.13% 1-Month LIBOR
	UBS AG, Stamford Branch	64,790,000	1/20/2011	3/1/2030	4.17625%	74.24% 1-Month LIBOR
	UBS AG, Stamford Branch	116,097,500	1/20/2011	9/1/2032	4.39900%	71.57% 1-Month LIBOR
	Wells Fargo Bank, N.A.	49,332,500	6/15/2013	9/1/2029	4.06250%	71.13% 1-Month LIBOR
	Wells Fargo Bank, N.A.	33,912,500	6/15/2013	3/1/2030	4.17625%	74.24% 1-Month LIBOR
	Wells Fargo Bank, N.A.	49,147,500	6/15/2013	3/1/2031	4.29590%	70.8% 1-Month LIBOR
		$1,146,751,963				

As of June 30, 2014, the aggregate mark-to-market value of the swap agreements is negative, indicating that the NJEDA has no credit exposure to the swap counterparties. If the ratings of a counterparty were to be reduced below levels specified in the documentation relating to the swap agreements with the NJEDA and at such time the NJEDA did have in excess of a specified amount of credit exposure to such counterparty, the counterparty would be required to provide collateral to support all or a portion of the NJEDA's credit exposure. No assurance can be given that the ratings of the counterparties will be maintained at current levels or that the mark-to-market value of the swaps will not change to create credit exposure by the NJEDA to one or more counterparties.

The NJEDA is not required to post collateral under any of the swap agreements listed in the above table. If ratings on the bonds relating to the swaps generally fall below BBB or Baa2 by one or more rating agencies, then the counterparty may have the option to terminate the swaps. In some cases, the independent State authority may have the option to post collateral to prevent a termination. If a termination were to occur at a time where the swaps had a negative mark-to-market value, then the NJEDA would be required to make a termination payment in the amount of the negative mark to market. At June 30, 2014, the aggregate negative mark-to-market on the swaps listed in the above table was $326.2 million.

MORAL OBLIGATION FINANCING

The authorizing legislation for certain State entities provides for specific budgetary procedures with respect to certain obligations issued by such entities. Pursuant to such legislation, a designated official is required to certify any deficiency in a debt service reserve fund maintained to meet payments of principal of and interest on the obligations, and a State appropriation in the amount of the deficiency is to be made. However, the State Legislature is not legally bound to make such an appropriation. Bonds issued pursuant to authorizing legislation of this type are sometimes referred to as moral obligation bonds. There is no statutory limitation on the amount of moral obligation bonds which may be issued by eligible State entities.

The following table sets forth the moral obligation bonded indebtedness issued by State entities as of June 30, 2014.

	Principal Amount Outstanding	Fiscal Year 2015 Debt Service
New Jersey Housing and Mortgage Finance Agency	$ 14,280,000	$ 4,303,295
South Jersey Port Corporation	266,290,000	24,943,492
Higher Education Student Assistance Authority	2,469,075,000	292,069,635
	$2,749,645,000	$321,316,422

New Jersey Housing and Mortgage Finance Agency

Neither the New Jersey Housing and Mortgage Finance Agency nor its predecessors, the New Jersey Housing Finance Agency and the New Jersey Mortgage Finance Agency, have had a deficiency in a debt service reserve fund which required the State to appropriate funds to meet its moral obligation. It is anticipated that this agency's revenues will continue to be sufficient to pay debt service on its bonds.

South Jersey Port Corporation

The State, under its moral obligation, has provided the South Jersey Port Corporation (the "Port Corporation") with funds to replenish its debt service reserve fund to the extent drawn upon by the Port Corporation when Port Corporation revenues are insufficient to pay debt service on its outstanding bonds. Such payments to the Port Corporation are subject to appropriation by the State Legislature.

The following table sets forth the amounts paid to the Port Corporation to replenish its debt service reserve fund for the past five fiscal years.

Fiscal Year	Amounts Paid For Debt Service
2010	$11,534,236
2011	7,013,289
2012	19,847,053
2013	18,972,976
2014	14,756,323

Higher Education Student Assistance Authority

The Higher Education Student Assistance Authority ("HESAA") has not had a revenue deficiency which required the State to appropriate funds to meet its moral obligation. It is anticipated that the HESAA's revenues will continue to be sufficient to pay debt service on its bonds.

STATE EMPLOYEES

Public Employer-Employee Relations Act

The State, as a public employer, is covered by the New Jersey Public Employer-Employee Relations Act, as amended (*N.J.S.A.* 34:13A-1 *et seq.*), which guarantees public employees the right to negotiate collectively through employee organizations certified or recognized as the exclusive collective negotiations representatives for units of public employees found to be appropriate for collective negotiations purposes. Approximately 62,000 full-time Executive Branch employees are paid through the State payroll system. Of the 62,000 employees, approximately 57,400 are represented by certified or recognized exclusive majority representatives and are organized into various negotiation units. There are twelve civilian units which presently represent more than 47,000 employees in the Executive Branch. The Health Care and Rehabilitation Services Unit is represented by the American Federation of State, County and Municipal Employees ("AFSCME") and includes about 8,200 employees. The Administrative and Clerical Services Unit, the Primary Supervisory Unit, the Professional Unit and the Higher Level Supervisory Unit are all represented by the Communications Workers of America ("CWA") and include about 6,300 employees, 9,600 employees, 14,800 employees and 2,900 employees, respectively, for total of 33,600 employees. The Crafts Unit, the Inspection and Security Unit, and the Operations, Maintenance and Services Unit are represented by the International Federation of Professional and Technical Engineers ("IFPTE") and the New Jersey State Motor Vehicle Employees Union, Service Employees International Union ("SEIU"), and combined include about 4,700 employees. The Deputy Attorneys General ("DAsG") unit and the State Government Managers ("Managers") Unit are both represented by the International Brotherhood of Electrical Workers ("IBEW") and include approximately 400 employees and 850 employees, respectively. There are approximately 10,000 employees represented by thirteen law enforcement units.

Negotiation Process

The New Jersey Public Employer-Employee Relations Act specifies a negotiation process for non-police and non-fire units which includes mediation and advisory fact-finding in the event of a negotiations impasse. This process is geared to the public employer's budget submission process. Thus, in the case of the State, unless there is a multi-year agreement then in effect, negotiations begin in October of the year (or no later than 120 days) prior to the new budget, and the entire process, including mediation and fact-finding, should be completed prior to the Governor's submission of the Governor's Budget Message to the State Legislature in late January or early February of each year, so that the Governor's Budget Message can reflect the results of negotiations. In the event that negotiations are not completed by the date of the Governor's Budget Message, a later supplemental appropriations request may be made. The economic provisions included in these negotiated agreements generally take effect at the beginning of each fiscal year or at other times provided in the agreements. Police and fire negotiations units may also submit to mediation and fact-finding in the event that negotiations with the State produces an impasse and the parties agree to do so, but where no agreement is achieved by exhaustion of these processes, police and fire units are additionally entitled to submit their final demands to binding interest arbitration. Approximately 10,000 State employees come under the binding interest arbitration process. Of the 10,000, approximately 2,600 are in the State Police.

Contract Status

The State has entered into a four-year contract for Fiscal Years 2012-2015 with the IFPTE Local 195 and SEIU Local 518. The contract provides for across the board salary increases of 2.75% as follows: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013, 1% in Fiscal Year 2014 and 1.75% in Fiscal Year 2015. Negotiations for a new contract are expected to begin in October 2014.

The State has entered into four-year contracts for Fiscal Years 2012-2015 with the four CWA units. The contracts provide for across the board salary increases of 2.75% as follows: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013, 1% in Fiscal Year 2014 and 1.75% in Fiscal Year 2015. Negotiations for new contracts are expected to begin in October 2014.

The State has entered into a four-year contract for Fiscal Years 2012-2015 with AFSCME. The contract provides for across the board salary increases of 2.75% as follows: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013, 1% in Fiscal Year 2014 and 1.75% in Fiscal Year 2015. Negotiations for a new contract are expected to begin in October 2014.

The State entered into its first contract with IBEW Local 33 ("Local 33") expiring in Fiscal Year 2015. Local 33 represents approximately 400 DAsG in the Department of Law and Public Safety ("LPS"), Division of Law and the Division of Alcohol and Beverage Control. The salary guide for this unit has two ranges with ten (10) steps. The contract provides the following across the board increases to each step of the ranges for this unit: 1% in Fiscal Year 2014 and 1.75% in Fiscal Year 2015. DAsG salaries are capped at $127,653.68 as set forth in the Civil Service Commission's Salary Compensation Compendium. Negotiations for a new contract are expected to begin in October 2014.

The State entered into a four-year contract for Fiscal Years 2012-2015 with the New Jersey Policemen Benevolent Association Local 105 ("PBA 105"). The unit represents approximately 6,000 law enforcement officers and is the single largest State law enforcement unit. The salary guide is comprised of 10 steps. The contract provides the following across the board salary increases for employees at steps 1 through 9 of the salary guide: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013 and 0% in Fiscal Year 2014 and 1% in Fiscal Year 2015. Employees at the top step (step 10) of the contract shall receive the following across the board salary increases: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013, 1.75% in Fiscal Year 2014 and 1.5% in Fiscal Year 2015. Negotiations for a new contract are expected to begin in October 2014.

The State entered into a four-year contract for Fiscal Years 2012-2015 with the New Jersey State Fraternal Order of Police Lodge 174 ("FOP Lodge 174"). The unit represents approximately 100 law enforcement officers. The salary guide is comprised of 10 steps. The contract provides the following across the board salary increases: employees at steps 1 through 9 of the salary guide shall not receive an across the board salary increase for the life of the contract. Employees at the top step (step 10) of the contract shall receive the following across the board salary increases: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013 and 1.0% in Fiscal Year 2014. Employees at the top step (step 10), with the exception of employees in the title of Principal Investigator, shall receive a 1.5% across the board salary increase in Fiscal Year 2015. Employees in the title of Principal Investigator who are at top step (step 10) shall receive a 0.75% across the board salary increase in Fiscal Year 2015. Negotiations for a new contract are expected to begin in October 2014.

The State entered into a four-year contract for Fiscal Years 2012-2015 with the New Jersey Policemen Benevolent Association State Law Enforcement Unit ("SLEU"). The unit represents approximately 200 law enforcement officers. The salary guide is comprised of 10 steps. The contract provides the following across the board salary increases for employees at steps 1 through 9 of the salary guide: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013 and 0% in Fiscal Year 2014 and 1% in Fiscal Year 2015. Employees at the top step (step 10) of the contract shall receive the following across the board salary increases: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013, 1.25% in Fiscal Year 2014 and 1.25% in Fiscal Year 2015. Negotiations for a new contract are expected to begin in October 2014.

The State entered into a four-year contract based upon an interest arbitration award for Fiscal Years 2012-2015 with New Jersey Law Enforcement Supervisors Association ("NJLESA"). NJLESA represents approximately 665 law enforcement officers at the rank of sergeant. The salary guide is comprised of 10 steps. The contract provides for the following across the board increases: employees at steps 1 through 9 of the salary guide shall not receive an across the board increase for the life of the contract. Employees at the top step (step 10) of the contract shall receive 0% in Fiscal Years 2012, 0% in Fiscal Years 2013, 1.25% in Fiscal Year 2014 and 1.25% in Fiscal Year 2015. Negotiations for a new contract are expected to begin in October 2014.

The State entered into a four-year contract with the New Jersey Superior Officers Law Enforcement Association ("NJLESOA") for Fiscal Years 2012-2015. NJSOLEA represents approximately 400 law enforcement officers at the rank of lieutenant. The salary guide is comprised of 10 steps. The contract provides

for the following across the board increases: (1) 0% in Fiscal Years 2012 and 2013; (2) effective the first full pay period in July 2013, a 1.25% increase to all negotiation unit employees; and (3) effective the first full pay period in July 2014, a 1.25% increase to all negotiation unit employees. Negotiations for a new contract are expected to begin in October 2014.

The State entered into its first contract with IBEW Local 30, State Government Managers Unit, expiring in Fiscal Year 2015. Local 30 currently represents approximately 800 Managers in the Executive Branch. The contract provides the following across the board increases to each step of the ranges for this unit: 1% in Fiscal Year 2014 and 1.75% in Fiscal Year 2015.

The State entered into a four-year contract for Fiscal Years 2012-2015 with the New Jersey Law Enforcement Commanding Officers Association ("NJLECOA") representing Corrections Majors, Corrections Captains, JJC, Supervising Conservation Officers, DEP, Assistant Chief Investigators, DOC, Supervising Parole Officers, and Parole and Chief Investigators, JJC. There are approximately fifty law enforcement employees in the unit. The contract provides for the following across-the-board increases for Corrections Majors, Supervising Conversation Officers, DEP, Assistant Chief Investigators, DOC and Chief Investigators, JJC: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013, 1% in Fiscal Year 2014 and 1.25% in Fiscal Year 2015. Corrections Majors, who are at a single rate and, thus, do not receive any salary increments, also will receive lump sum bonuses, not included in base salary, of $1,750 and $1,500 in Fiscal Years 2014 and 2015, respectively. In lieu of any across-the-board increases, Corrections Captains and Supervising Parole Officers will receive lump sum bonuses, not included in base salary, of $1,160 and $1,450 in Fiscal Years 2014 and 2015, respectively.

The State is in interest arbitration with the State Investigators Unit represented by FOP Lodge 91, rank and file unit, the State Investigators Unit, sergeant rank represented by the N.J. Division of Criminal Justice Non-Commissioned Officers Association, and the State Investigators Unit, lieutenants rank represented by the N.J. Division of Criminal Justice Superior Officers Association. These groups represent approximately 230 employees.

The contracts for the three State Police units, State Troopers Fraternal Association ("STFA — Troopers"), State Troopers Non-Commissioned Officers Association ("STNCOA — Sergeants") and State Troopers Superior Officer Association ("STSOA — Lieutenants"), collectively representing approximately 2,500 members, expired on June 30, 2012. Negotiations for new contracts have commenced.

STATE FUNDING OF PENSION PLANS

General

The State sponsors and operates seven defined benefit pension plans (the "Pension Plans"), which fund retirement benefits for almost all of the public employees of the State. As a result of lower-than-recommended contributions by the State to the Pension Plans for an extended period, investment losses and other causes, the Pension Plans have experienced (and, absent action by the State, are expected to continue to experience for a number of years) a deterioration in their financial condition. See "STATE FUNDING OF PENSION PLANS — State's Financial Responsibility to the Pension Plans."

In response to the deteriorating financial condition of the Pension Plans, the State Legislature enacted two pension reforms, Chapter 1 and the 2011 Pension and Health Benefit Reform Legislation, which includes a phased-in process of making the full actuarially recommended contributions. As discussed below, the State did not contribute the full phased-in contribution for Fiscal Year 2014 and the Fiscal Year 2015 Appropriations Act does not include the full phased-in contribution for Fiscal Year 2015. See "STATE FUNDING OF PENSION PLANS — Pension Reforms" below. In August 2014, the Governor created a non-partisan commission tasked with developing recommendations for how the State can further reform the Pension Plans. As part of its process of analyzing the condition of the Pension Plans and formulating its recommendations, the commission has requested and is expected to continue to request that the State provide to it information regarding the Pension Plans containing data in addition to or different from that presented herein and analyses using assumptions and methodologies which differ from those used herein. As a result the commission may develop for its own internal use or for public dissemination information characterizing the present and projected financial condition of the Pension Plans which differs markedly from that presented herein. The State continues to believe that the information relating to the Pension Plans contained herein, including information describing assumptions and methodologies employed, provides a reasonable basis to evaluate the status of the State's Pension Plans. Investors and other market participants should refer only to this Appendix I and official supplements thereto provided by the State.

Several lawsuits have been filed against the State relating to its pension reforms and other actions taken by the State with respect to the Pension Plans. Any result in these lawsuits that is adverse to the State can cause a deterioration in the financial condition of the Pension Plans or increase the State's contributions to the Pension Plans, or both. See below under the captions "LITIGATION — "— *Powell v. State*," "— *Berg v. Christie*" and "— *Pension Funding Litigation.*"

Membership of the Pension Plans

Membership of State Pension Plans. Almost all of the public employees of the State and its counties, municipalities and political subdivisions are members of pension plans administered by the State. Listed in order of active membership based on the most recent actuarial valuation reports dated July 1, 2013, the Pension Plans and their active and retired membership are as follows:

	Membership at June 30, 2013	
Plan	**Active**	**Retired**
Public Employees' Retirement System ("PERS")	272,846	157,410
Teachers' Pension and Annuity Fund ("TPAF")	151,318	92,080
Police and Firemen's Retirement System ("PFRS")	40,372	41,252
State Police Retirement System ("SPRS")	2,481	3,253
Judicial Retirement System ("JRS")	409	553
Consolidated Police and Firemen's Pension Fund ("CP&FPF")	0	185
Prison Officers' Pension Fund ("POPF")	0	121
Total	467,426	294,854

From June 30, 2008 to June 30, 2013, the total number of active members of all of the State-administered plans decreased by 56,681 or 10.8% and the total number of retired members increased by 47,393 or 19.2%.

Membership of Local Government Pension Plans. The State is not the only employer sponsoring PERS and PFRS. Local governments within the State participate as employers. In both of these Pension Plans, the assets that the State and the local governments contribute are invested together and generate one investment rate of return. However, both of these Pension Plans segregate the active and retired members and the related actuarial liabilities between the State and the local governments. As of June 30, 2013, those members of the PERS and PFRS for which the State is responsible for making contributions were, with respect to PERS, 83,687 active members and 50,482 retired members and, with respect to PFRS, 7,098 active members and 5,855 retired members.

Actuarial Valuations, Assumptions and Methodologies

Required Actuarial Valuations. State law requires that all Pension Plans must conduct an actuarial valuation as of the end of each Fiscal Year. Buck Consultants serves as consulting actuary for the PERS, PFRS, SPRS, JRS, CP&FPF and POPF, while Milliman, Inc. serves as consulting actuary for the TPAF. The consulting actuaries prepare the actuarial valuations and experience investigations (which are described below) for the Pension Plans. Informational copies of these reports as well as other financial information are available on the Division of Pensions and Benefits' website at: http://www.state.nj.us/treasury/pensions/financial-rprts-home.htm. No information contained on the website of the Division of Pensions and Benefits is incorporated herein by reference.

Content and Timing of Actuarial Valuations. The purpose of an actuarial valuation is to use independent actuaries to calculate the actuarial value of assets and the actuarial accrued liability of each Pension Plan in accordance with State statutes and generally recognized and accepted actuarial principles and practices. The actuarial accrued liability of a Pension Plan represents an estimate, on the basis of demographic and economic assumptions, of the present value of benefits the Pension Plan will pay to retirees over time. The actuarial valuation compares the actuarial accrued liability with the actuarial value of assets, and any excess of that liability over the assets forms an unfunded actuarial accrued liability ("UAAL") of the applicable Pension Plan. An actuarial valuation will express the percentage that a Pension Plan is funded through a "Funded Ratio" which represents the quotient obtained by dividing the actuarial value of assets of the Pension Plan by the actuarial accrued liability of the Pension Plan.

An actuarial valuation will also state an actuarially recommended contribution rate, which is a recommended rate of covered payroll that the State and other sponsoring employers contribute to the applicable Pension Plan. The actuarially recommended contribution consists of two components: (1) normal cost which represents the portion of the present value of retirement benefits that are allocable to active members' current year service, and (2) an amortized portion of the UAAL. The actuarially recommended contribution is determined in accordance with State statutes and is not the same as the Annual Required Contribution which is determined in accordance with Governmental Accounting Standard Board Statements No. 25 and 27 for purposes of meeting financial disclosure requirements. The actual amounts that the State contributes to the Pension Plans each Fiscal Year are subject to annual appropriation by the State Legislature and to actions by the Governor. The amounts that the State contributes to the Pension Plans can be and, over the last several years, have been less than the actuarially recommended contribution rates.

Ordinarily, the actuarial valuations of the Pension Plans are completed approximately 6 to 8 months after the end of a Fiscal Year. As a result, the actuarially recommended contribution rates of the actuarial valuations of the Pension Plans apply not to the Fiscal Year immediately following the Fiscal Year covered by the actuarial valuations but the second immediately following Fiscal Year. For example, the actuarially recommended rates of contribution in the actuarial valuations of the Pension Plans as of July 1, 2012 are applicable to the Fiscal Year ended June 30, 2014.

Assumptions used in Actuarial Valuations. The actuarial valuations use several actuarial assumptions to calculate the UAAL and Funded Ratio and to recommend contribution rates. These assumptions include:

expected rate of return on assets, inflation rates, future pay increases, age of retirement of active members, assumed rates of disability and post-employment life expectances of retirees and beneficiaries. The Pension Plan boards establish most of these assumptions except that the State Treasurer establishes the expected rate of return. If the experience of the Pension Plans is different from these assumptions, the UAAL of the Pension Plans may increase or decrease to the extent of any variances. If the actual experience results in a material increase in the UAAL of the Pension Plans, the State's future actuarially recommended rates of contribution would likely result in a material increase which would increase the financial burden imposed on the State of its obligation to the Pension Plans in the long term. State law requires the Pension Plans to conduct experience investigations every three years, which examine the demographic and economic assumptions used in the Pension Plans' actuarial valuations to ensure that those assumptions are consistent with historical experience. If an experience investigation results in a change in one or more assumptions, it can have a significant impact on the UAAL of a Pension Plan in the actuarial valuations following the experience investigation. For example, based on the experience investigation for PERS covering the period from July 1, 2008 through June 30, 2011, several of the demographic assumptions were changed, including the mortality rates. These assumption changes were reflected in the July 1, 2012 actuarial valuation and caused the overall UAAL and the actuarially recommended contribution of PERS to increase. Although the actual cost impact of these assumption changes on the July 1, 2012 valuation is not readily available, the overall effect of the assumption changes on the July 1, 2011 valuation results would have been an increase in the UAAL of PERS of $464.4 million or 5.6% and an increase in the full actuarially recommended contribution of the State to PERS of $56.2 million or 6.1%.

In the case of the expected rate of return of assets, the actual rate of return of the Pension Plans depends on the performance of the investment portfolio. The value of the securities in the investment portfolio can dramatically change from one Fiscal Year to the next, which could, in turn, contribute to substantial increases or decreases in the applicable UAAL. For example, for Fiscal Year 2013, the investment rate of return was 11.63%, and, for Fiscal Year 2012, it was 2.51%. The assumed rate of return applicable to those fiscal years was 7.95%. The annualized rate of return for Fiscal Year 2014, although not yet finalized, is estimated to be 15.9%, which is above the expected rate of return for valuation purposes. Annualized returns for the three-, five- and ten-year periods ending June 30, 2013 were 10.59%, 5.32% and 7.26%, respectively. The rate of return on assets assumed by the actuaries for valuation purposes is currently set at 7.90%. Buck Consultants, the actuary for all Pension Plans except TPAF, considers the 7.90% assumed rate of return to be within the acceptable range of rates although at the high end. However, Milliman, Inc., the actuary for TPAF, considers the 7.90% assumed rate of return to be outside their reasonable range and recommends a further reduction in the assumed rate of return.

Methodologies used in Actuarial Valuations. The actuarial valuations of the Pension Plans use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the Pension Plans. These methods are generally established by State legislation. These methods include the method of amortizing the UAAL, a method of smoothing differences between market value of assets and expected value of assets, and a method of determining when pension benefits accrue for purposes of calculating actuarial liabilities. The State Legislature may change these methods which, depending on the nature of the change, can have a substantial positive or negative impact on the UAAL of the Pension Plans.

One of the methodologies used by the Pension Plans is an asset valuation method of smoothing over a five-year period the differences between market value of assets and expected value of assets. The Pension Plans use this method to prevent extreme fluctuations that may result from temporary or cyclical economic and market conditions. As of June 30, 2013, the aggregate market value of all of the assets of the Pension Plans, as determined by the Pension Plans' actuaries, was approximately $78.3 billion. As of June 30, 2013, the aggregate actuarial value of all assets of the Pension Plans was $86.1 billion. Based on these figures, the Pension Plans have a net unsmoothed loss of approximately $7.8 billion, which is the difference, as of June 30, 2013, between the market value of their assets and the actuarial value of their assets which is calculated using the smoothing method. As a result of the smoothing of gains and losses over a five-year period under the current asset valuation method, the UAAL is lower than it would be if assets were stated at their current market value as of June 30, 2013.

The Pension Plans, except the CP&FPF and the POPF, use the level dollar amortization method in place of the level percent of pay method previously used to calculate the amount of the UAAL that is included in the actuarially recommended rates of contribution, which means that the actuary assumes that the State will pay the same dollar amount to amortize the UAAL in each year of the amortization period. The UAAL is being amortized over an open-ended 30 year period through the July 1, 2018 actuarial valuation. Beginning with the July 1, 2019 actuarial valuation, the UAAL will be amortized over a closed 30-year period until the remaining period reaches 20 years, when the amortization period will revert to an open-ended 20-year period. An open amortization period means that the period over which the UAAL is amortized re-sets to 20 years with each actuarial valuation whereas, in an closed amortization period, the period is reduced with each actuarial valuation.

Investment Portfolio

The Division of Investment of the New Jersey Department of the Treasury invests the assets of the Pension Plans. The State Investment Council is responsible for formulating the policies that govern the methods, practices or procedures for investments, reinvestments, sale or exchange transactions to be followed by the Director of the Division of Investment. State law and State Investment Council regulations regulate the types of investments which are permitted.

Benefits

General. Almost all State employees participate in one of the Pension Plans, with eight to ten years of employment required before retirement benefits become vested. Upon retirement, members of PERS and TPAF enrolled before May 22, 2010 are eligible for annual retirement benefits equal to 1/55 of final average compensation for each year of service credit. For members of PERS and TPAF enrolling on or after May 22, 2010, the annual retirement benefits will be based on 1/60 of final average compensation for each year of service credit. For members enrolled before May 22, 2010, final average compensation equals the average compensation for the final three years of service before retirement or highest three years' compensation if other than the final three years. For members enrolling on or after May 22, 2010, the final average compensation equals the average compensation calculated using a five-year period instead of a three-year period. Members of PERS and TPAF who were enrolled prior to June 28, 2011 are eligible for an early retirement benefit after 25 years of service, while members who were enrolled on or after June 28, 2011 are eligible for early retirement benefits after 30 years of service. PERS and TPAF members are also eligible for a veteran's retirement benefit after 20 and 25 years of service, if age requirements for those retirement benefits are met. Members who enrolled before June 28, 2011 can qualify for full benefits under early retirement if the member is at least age 55. If the member enrolled on or after June 28, 2011, the member does not qualify for full benefits under early retirement and must be at least age 65 to receive full benefits. Certain retirees also receive a cost-of-living adjustment in addition to their base retirement allowance under the State's pension adjustment program. The pension adjustment program, under which retirees received cost-of-living benefits, was suspended under the 2011 Pension and Health Benefit Reform Legislation; however, cost-of-living benefits earned before the suspension continue to be paid.

State law provides that the retirement benefits of the Pension Plans are not subject to negotiations between the State and other public employers and the employee members of the Pension Plans.

Legislative Changes to Benefit Levels. The State Legislature has in the past adopted laws that increased the retirement benefits payable by the Pension Plans and may do so in the future. Increases in retirement benefits increase the actuarial accrued liability of the affected Pension Plans which then increases the actuarially recommended contributions for the State for the affected Pension Plans.

State's Financial Responsibility to the Pension Plans

Annual Contributions. The State's annual actuarially recommended contribution to the Pension Plans is determined by the results of the actuarial valuation reports dated as of July 1 of each year. The actuarial funding

method used to determine the State's contribution is a matter of State law. Any change to the funding method requires the approval of the State Legislature and the Governor. The amount the State actually contributes to the Pension Plan may differ from the actuarially recommended contributions of the Pension Plans because the State's contribution to the Pension Plans is subject to the appropriation of the State Legislature and actions by the Governor. See "— *Current and Historical Funding Status and Contributions*" and "STATE FUNDING OF PENSION PLANS — *Pension Reform*" below.

In PERS, the State makes employer contributions for State employees while counties, municipalities, school districts and local public agencies make such contributions for their employee members. The State, rather than local school boards, pays the employer contributions to TPAF, including the employer's share of the Social Security tax, with respect to public school teachers in the State. The PFRS is primarily established for municipal policemen and firemen. The State's participation in this Pension Plan is limited to those State-employed law enforcement officers who have been permitted to enroll therein.

The State is solely responsible for funding the benefits of the SPRS, JRS, CP&FPF and the POPF. The CP&FPF and the POPF are closed plans and not open to new membership.

State Financial Responsibility for Local Employees. Although local governmental employers participating in the PERS are, for the most part, responsible for funding the normal cost and the UAAL relating to the local governmental members of PERS, State statute stipulates that if the assets in the Benefit Enhancement Fund are insufficient to pay the normal cost portion of these increased retirement benefits for a valuation period (which is valued at $46.2 million as of the July 1, 2013 PERS actuarial valuation), the State will pay that amount of the normal cost portion for the local governmental employers not covered by the assets in the Benefit Enhancement Fund. The Benefit Enhancement Fund was established by State law in 2001 to fund increased retirement benefits. Since the establishment of the Benefit Enhancement Fund, no amounts have been credited to the Fund other than investment earnings. However, as of the July 1, 2013 PERS actuarial valuation, the level of assets in the Benefit Enhancement Fund continue to be sufficient to meet this obligation. The PERS actuarial valuation as of June 30, 2013 valued the Benefit Enhancement Fund in the local governmental portion of PERS at approximately $232.9 million. The State expects that the amounts in the Benefit Enhancement Fund will fund these benefits until the Fiscal Year ending June 30, 2022.

With respect to PFRS, the State makes a contribution to active and retired members of the local governments to cover certain retirement benefit enhancements. For Fiscal Year 2014, the State contributed $115.6 million to the PFRS of which $62.9 million was applied toward funding for local participant enhanced benefits. For Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes a recommended contribution to the PFRS of $117.0 million of which $66.2 million represents funding for enhanced benefits for local PFRS participants.

Current and Historical Funding Status and Contributions. From the Fiscal Year ended June 30, 1997 through Fiscal Year ended June 30, 2003, the State made minimal contributions to the Pension Plans because the actuarial value of the assets in each of the Pension Plans exceeded the actuarial accrued liability and the State used that excess as a credit against the actuarially recommended contributions. The UAAL of the Pension Plans has consistently risen since Fiscal Year 2004 in part as a result of the State not contributing the full amount of the actuarially recommended contributions with respect to the Pension Plans since Fiscal Year 2003. These low levels of State funding coupled with investment losses in Fiscal Years 2008 and 2009 have caused funding levels to decrease substantially. Between the July 1, 2004 and July 1, 2010 actuarial valuations, the aggregate Funded Ratio of the Pension Plans declined from approximately 85.4% to 56.4%. As a result of this decline in the Funded Ratio of the Pension Plans, the actuarially recommended contributions of the State increased significantly.

To address the deteriorating financial condition of the Pension Plans, the 2011 Pension and Health Benefit Reform Legislation was enacted, which initially improved the overall funded status of the Pension Plans. As a result of the 2011 Pension and Health Benefit Reform Legislation, the overall funded ratio of the Pension Plans improved from 56.4% to 65.2% and the total UAAL included in the revised actuarial valuations of the Pension Plans decreased by an aggregate of $11.5 billion from $37.1 billion to $25.6 billion as of the revised July 1, 2010

actuarial valuations. Under Chapter 1, a pension reform enacted more than a year prior to the 2011 Pension and Health Benefit Reform Legislation, the State is required to resume making contributions to the Pension Plans on a phased-in basis over a seven-year period beginning in Fiscal Year 2012. During this phased-in period, the State continues to fund less than the full actuarially recommended contributions, which has caused an increase in the UAAL and a decrease in the Funded Ratio following the 2011 Pension and Health Benefit Reform Legislation. Despite the seven year phase-in of State contributions prescribed by Chapter 1, due to a shortfall in resources, pursuant to an executive order of the Governor, the State contributed $695.7 million to the Pension Plans in Fiscal Year 2014, $887 million less than the legislatively appropriated phased-in contribution of $1.582 billion required under Chapter 1. In addition, due to an anticipated shortfall in resources in Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes a contribution to the Pension Plans of $680.6 million, which is $1.569 billion less than the required phased-in contribution of $2.249 billion. The actual contribution in Fiscal Year 2014 and the appropriated contribution for Fiscal Year 2015 represent the normal cost portion of the actuarially recommended contributions for those years. See "STATE FUNDING OF PENSION PLAN — State's Financial Responsibility to the Pension Plans — *Impact of Financial Deterioration of Pension Plans on Benefit Payments*" below.

FUNDING STATUS
PENSION FUND ACTUARIAL LIABILITIES AND ASSETS(1)
Actuarial Valuations as of July 1, 2013
(In Millions)

Pension Plan	Actuarial Value of Assets (2)	Actuarial Accrued Liability (2)	Unfunded Actuarial Accrued Liability (2)	Funded Ratio (2)	Market Value of Assets (3)
State					
PERS	$ 9,191.8	$ 19,994.0	$10,802.2	46.0%	$ 8,639.6
TPAF	30,606.0	53,645.5	23,039.5	57.1%	26,859.6
PFRS	2,033.7	4,188.5	2,154.8	48.6%	1,896.2
CP&FPF	5.6	6.1	0.5	91.5%	5.8
SPRS	1,946.6	2,870.6	924.0	67.8%	1,832.9
JRS	258.5	620.4	361.9	41.7%	244.3
POPF	8.2	4.7	(3.5)	172.1%	9.0
Subtotal	44,050.4	81,329.8	37,279.4	54.2%	39,487.4
Local					
PERS	19,975.2	27,005.8	7,030.6	74.0%	18,120.8
PFRS	22,097.0	28,811.7	6,714.7	76.7%	20,734.8
Subtotal	42,072.2	55,817.5	13,745.3	75.4%	38,855.6
Total	$86,122.6	$137,147.3	$51,024.7	62.8%	$78,343.0

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2013.

(1) The State provides additional information concerning the Actuarial Value of Assets, Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of the Pension Plans under the caption "REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS PENSION TRUST FUNDS AND HEALTH BENEFITS PROGRAM FUND" in the Required Supplemental Information portion of the 2013 CAFR.

(2) For a description of these terms, see "STATE FUNDING OF PENSION PLANS — Actuarial Valuations, Assumptions and Methodologies" above.

(3) The market value of assets as shown in the actuarial valuation reports for the Pension Plan and included in the table differs from the value of the investment portfolio of the Pension Plans as reported by the Division of Pensions and Benefits. The market value of assets of each of the Pension Plans is as set forth in the actuarial valuation reports for the Pension Plans and represents the full market value of the assets held by the Pension Plan, including expected receivable contributions from the State, local employers and participants, and excludes assets held in the Contributory Group Insurance Premium Fund and the Noncontributory Group Insurance Premium Fund.

HISTORICAL FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS(1)
Actuarial Valuations as of July 1, 2007 through July 1, 2013
(in Millions)

Valuation Year Ending June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Market Value of Assets
State					
2007	$52,433.4	$71,655.8	$19,222.4	73.2%	$50,720.1
2008	52,718.2	75,763.2	23,045.0	69.6%	46,999.9
2009	50,229.5	80,956.2	30,726.7	62.0%	36,540.1
2010	48,078.5	73,713.9	25,635.4	65.2%	37,765.8
2011	46,697.6	76,805.7	30,108.1	60.8%	40,795.3
2012	45,064.0	79,434.3	34,370.3	56.7%	38,271.3
2013	44,050.4	81,329.8	37,279.4	54.2%	39,487.4
Local					
2007	$37,190.7	$46,326.3	$ 9,135.6	80.3%	$36,282.1
2008	38,655.2	50,044.3	11,389.1	77.2%	35,022.9
2009	38,890.1	53,972.1	15,082.0	72.1%	29,678.8
2010	38,849.8	49,520.7	10,670.9	78.5%	31,853.2
2011	40,024.1	51,657.7	11,633.6	77.5%	36,042.2
2012	40,875.0	53,714.2	12,839.2	76.1%	36,081.9
2013	42,072.2	55,817.5	13,745.3	75.4%	38,855.6

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2007 through July 1, 2013 for all the Pension Plans.

(1) Please refer to the footnotes of the immediately preceding table for an explanation of the categories set forth in the columns of this table. Each of the columns of this table reflects an aggregate of all of the Pension Plans. Thus, each of the indicated categories reflects a sum of that category of all of the Pension Plans for the indicated Fiscal Years (except with respect to the Funded Ratios which are the weighted average Funded Ratios of all of the Pension Plans for the indicated Fiscal Years).

SCHEDULE OF STATE & LOCAL EMPLOYER CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Year Ending June 30, 2015
(In Millions)

Pension Plan	Actuarially Recommended Contributions (1)	Expected Contributions (2)(4)	Amount Unfunded (3)(4)
State			
PERS	$1,058.2	$ 138.1	$ 920.1
TPAF	2,309.7	379.9	1,929.8
PFRS	414.3	117.0	297.3
CP&FPF	0.0	0.0	—
SPRS	108.9	31.5	77.4
JRS	44.3	14.1	30.2
POPF	0.0	0.0	0.0
Subtotal	3,935.4	680.6	3,254.8
Local			
PERS	769.4	769.4	—
PFRS	733.2	733.2	—
Subtotal	1,502.6	1,502.6	—
Total	$5,438.0	$2,183.2	$3,254.8

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions was derived from the July 1, 2013 actuarial valuation reports. Information regarding the expected contributions for the State is based on the Fiscal Year 2015 Appropriations Act. Information with respect to the expected contributions of local government participating employers was derived from the July 1, 2013 actuarial valuation reports for PERS and PFRS.

(1) The actuarially recommended contributions to the indicated Pension Plans in Fiscal Year 2015 are based on the information contained in the actuarial valuations for the Pension Plans as of July 1, 2013. The PERS and PFRS local employer pension contribution excludes early retirement incentive (ERI) contributions payable in Fiscal Year 2015 by local government employers who have adopted ERI programs for their employees.

(2) For Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes a contribution to the Pension Plans that is less than the State's contribution to the Pension Plans under Chapter 1 of 4/7th of the full actuarially recommended contribution amount. If the State were to contribute the full phased-in contribution under Chapter 1 for Fiscal Year 2015, it would equal an aggregate contribution of approximately $2.25 billion to the Pension Plans. For local participating employers, full contributions based on the actuarially recommended amounts are expected.

(3) Represents the difference between the actuarially recommended contribution and the expected contribution from the State and the local participating employers.

(4) Estimated.

SCHEDULE OF STATE & LOCAL EMPLOYER CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Year Ending June 30, 2014
(In Millions)

Pension Plan	Actuarially Recommended Contributions (1)	Actual Contributions (2)	Amount Unfunded (3)
State			
PERS	$ 993.1	$ 141.2	$ 851.9
TPAF	2,161.3	388.4	1,772.9
PFRS	389.7	115.6	274.1
CP&FPF	0.9	0.0	0.9
SPRS	103.2	35.2	68.0
JRS	43.0	15.3	27.7
POPF	0.0	0.0	0.0
Subtotal	3,691.2	695.7	2,995.5
Local			
PERS	737.0	737.0	—
PFRS	699.9	699.9	—
Subtotal	1,436.9	1,436.9	—
Total	$5,128.1	$2,132.6	$2,995.5

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contribution of the State was derived from the addendum to the July 1, 2012 actuarial valuation reports reflecting adjusted Fiscal Year 2014 State contributions based on a change in the employer funding methodology. Information regarding the actual pension contribution of the State was obtained from the Division of Pensions and Benefits. Information with respect to the expected contributions of local governments was derived from the addendum to the July 1, 2012 actuarial valuation reports for PERS and PFRS reflecting the adjusted Fiscal Year 2014 local contributions based on the change in the employer funding methodology. Expected contributions from local governments were reduced by $135.4 million from $1,572.3 million to $1,436.9 million.

(1) The actuarially recommended contributions to the indicated Pension Plans in Fiscal Year 2014 are based on the information contained in the actuarial valuations for the Pension Plans as of July 1, 2012, as adjusted. The PERS and PFRS local employer pension contribution excludes early retirement incentive (ERI) contributions payable in Fiscal Year 2014 by local government employers who have adopted ERI programs for their employees.

(2) For Fiscal Year 2014, the State contributed less than its contribution to the Pension Plans under Chapter 1 of 3/7th of the full actuarially recommended contribution amount. If the State contributed the full phased-in contribution under Chapter 1 for Fiscal Year 2014, it would have equaled an aggregate contribution of approximately $1.58 billion to the Pension Plans. For local participating employers, full contributions based on the actuarially recommended amounts are expected.

(3) Represents the difference between the actuarially recommended contribution and the expected contribution from the State and the local participating employers.

AGGREGATE STATE & LOCAL EMPLOYER CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Years Ending June 30, 2009 through June 30, 2015 (1)
(In Millions)

Fiscal Year Ending June 30,	Actuarially Recommended Contributions (2)	Actual and Expected Contributions	Amount Unfunded
State			
2009	2,230.7	106.3	2,124.4
2010	2,518.8	0.0	2,518.8
2011	3,060.5	0.0	3,060.5
2012	3,391.4	484.5	2,906.9
2013	3,600.2	1,029.3	2,570.9
2014	3,691.2	695.7	2,995.5
2015	3,935.4	680.6	3,254.8
Subtotal	$22,428.2	$ 2,996.4	$19,431.8
Local			
2009	1,168.7	1,043.9	124.8
2010	1,281.1	1,281.1	—
2011	1,611.3	1,611.3	—
2012	1,512.6	1,512.6	—
2013	1,490.6	1,490.6	—
2014	1,436.9	1,436.9	—
2015	1,502.6	1,502.6	—
Subtotal	$10,003.8	$ 9,879.0	$ 124.8
Total	$32,432.0	$12,875.4	$19,556.6

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions of the State was derived from the actuarial valuation reports as of July 1, 2007 through July 1, 2013. Information regarding the actual contributions of the State for Fiscal Years 2009 through 2014 was provided by the Division of Pensions and Benefits. Information regarding expected contributions of the State for Fiscal Years 2015 is as set forth in the Fiscal Year 2015 Appropriations Act. Information regarding the actuarially recommended contributions and the actual and expected contributions of local governments was derived from the actuarial valuation reports of PERS and PFRS as of July 1, 2007 through July 1, 2013.

(1) Please refer to the footnotes of the preceding tables for an explanation of the categories set forth in the columns of this table. Each of the columns of this table reflects an aggregate of all of the Pension Plans. Thus, each of indicated categories reflects a sum of that category of all of the Pension Plans (except with respect to the Funded Ratio which is a weighted average Funded Ratio of all of the Pension Plans).

(2) For all pension plans, the State and local employer contributions relating to an actuarial valuation as of the end of a Fiscal Year are made in the second succeeding Fiscal Year. For example, the State and local employers' contributions relating to the actuarial valuation as of July 1, 2012 will be made in Fiscal Year 2014.

Prospective Funding Status of the Pension Plans. Based on laws currently in effect and other factors currently projected to affect the funding status of the State's Pension Plans, the State continues to expect that the Pension Plans will experience an increase in their UAAL and a decrease in their Funded Ratios. Without further action on the part of the State, the amount of the State's actuarially recommended contributions to the Pension Plans will increase at least through Fiscal Year 2019. The main contributing factors are the phased-in contributions of the State to the Pension Plans pursuant to Chapter 1 and the recent suspension of this phased-in approach for Fiscal Year 2014 and Fiscal Year 2015. On May 22, 2014, the State disclosed the following:

> "Assuming contributions equivalent to the employer normal cost in Fiscal Years 2014 and 2015 and resumption of the seven-year phase-in in Fiscal Year 2016 at four-sevenths (ending with a full actuarially required contribution in Fiscal Year 2019), a preliminary analysis projects a full actuarially required contribution in Fiscal Year 2019 of approximately $4.8 billion, a UAAL in Fiscal Year 2019 of

approximately $46 billion and a Funded Ratio of the Pension Plans in Fiscal Year 2019 of 48.24%. Based on this preliminary analysis and absent any other action by the State, the State could be required to make higher than anticipated contributions in subsequent years. As the State has previously noted, future increased contributions in future Fiscal Years, depending on their magnitude, will likely create a significant burden on all aspects of the State's finances."

As noted below, on August 1, 2014, the Governor created a commission to develop recommendations as to how the State can further reform the Pension Plans. Taking into account the State's experience with the actions required to be taken with respect to the Fiscal Year 2014 and Fiscal Year 2015 pension contributions, the Governor's creation of the pension commission and general economic uncertainties, the State is unable to update or confirm the May 22, 2014 projections at this time. Actions taken subsequent to the date hereof in response to proposals by the pension committee or other proposals by the Governor or the State Legislature as well as events affecting the economic condition of the State generally could result in the funding status of the Pension Plans being better or worse than the projections referred to above and any such differences could be significant.

Impact of Financial Deterioration of Pension Plans on Benefit Payments. The continued financial deterioration of the Pension Plans will cause a substantial increase in the actuarially recommended contributions of the State to the Pension Plans. These actuarially recommended contributions can place a significant burden on all aspects of the State's finances. Further, State budgetary pressures from areas other than contributions to the Pension Plans can place pressure on the State to contribute less than its actuarially recommended contributions, as was the case in Fiscal Year 2014 and as is contemplated by the Fiscal Year 2015 Appropriations Act.

In addition to placing a significant burden on the State's finances, the continued financial deterioration of the Pension Plans will reduce the amount of assets the Pension Plans have to pay benefits to their members. As the financial condition of the Pension Plans has deteriorated, the Pension Plans' Annual Expenditures to Net Assets Ratio has generally increased since Fiscal Year 2005. To illustrate, from Fiscal Year 2008 to Fiscal Year 2013 the total net assets of all of the Pension Plans, which includes both the assets relating to State and local government active and retired members, as reported in their respective audited financial reports, decreased by $4.4 billion from $83.0 billion to $78.5 billion, while total expenditures incurred by the Pension Plans over the same period increased by $2.6 billion from $6.5 billion to $9.1 billion. The amount of these expenditures is expected to increase in future Fiscal Years. This resulted in an increase in the Annual Expenditures to Net Assets Ratio from 7.9% for Fiscal Year 2008 to 11.63% for Fiscal Year 2013. The State expects that this ratio will continue to decline. Net assets represent the difference between a Pension Plan's total assets and its liabilities and mainly consist of investment holdings, which are stated at market value, and member and employer receivables. Expenditures include retirement benefit payments, including cost-of-living adjustments, contributory and noncontributory death benefit payments, member withdrawals and administrative expenses.

The ratio of market value of assets to the prior year's benefit payments also provides an indication of the ability of the Pension Plans to meet their benefit obligations. The July 1, 2013 actuarial reports, which set forth the actuarial valuations as of June 30, 2013, include certain information described in the actuarial valuations as "risk measures" in either tabular or textual format for each of the individual Pension Plans. This information was designed to provide an indicator, described in several of the individual actuarial valuations as a "simplistic measure" of the number of years that the assets of the Pension Plans can cover benefit payments. The benefit payments used in the data are those actually paid out to retirees in Fiscal Year 2013 and exclude increases in the number of retirees, future increases in those payments, State and member contributions and investment income. Differences in the Pension Plans make the aggregation of such individual data in a single combined presentation inappropriate. For PERS-State, between June 30, 2011 and June 30, 2012, the ratio of market assets to the prior year's benefit payment decreased by 16% from 8.1 to 6.8, and between June 30, 2012 and June 30, 2013, the ratio worsened and decreased by 1.5% from 6.8 to 6.7. For TPAF, between June 30, 2011 and June 30, 2012, the ratio decreased by 10.7% from 8.4 to 7.5 and, between June 30, 2012 and June 30, 2013, the ratio did not change and remained at 7.5.

Although the current level of accumulated assets in the Pension Plans does not jeopardize the payment of pension benefits in the short term, the long-term impact of continuation of a funding policy that allows the State

to contribute less than the actuarially recommended contributions could impact, at some point, the Pension Plans' ability to meet their obligations absent significant additional contributions by the State, increased investment returns or actions or events resulting in reductions to liabilities of the Pension Plans.

Pension Reforms

Chapter 1. In 2010, Chapter 1 was enacted, which provides for the State's contribution to increase by at least an additional 1/7th of the actuarially recommended contribution so that full actuarially recommended contributions are made beginning in Fiscal Year 2018 and each year thereafter. Despite the seven year phase-in of State contributions prescribed by Chapter 1, due to a shortfall in resources, the State contributed only $695.7 million to the Pension Plans in Fiscal Year 2014, $887 million less than the phased-in contribution of $1.582 billion required under Chapter 1. In addition, due to an anticipated shortfall in resources in Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes a contribution to the Pension Plans of $680.6 million, $1.569 billion less than the required phased-in contribution of $2.249 billion. See "STATE FUNDING OF PENSION PLAN — State's Financial Responsibility to the Pension Plans — *Current and Historical Funding Status and Contributions*" above.

2011 Pension and Health Benefit Reform Legislation. On June 28, 2011, the 2011 Pension and Health Benefit Reform Legislation was enacted. The major reform measures include raising the member contribution rates in the PERS, TPAF, PFRS, SPRS and JRS. In PERS and TPAF, the member contribution rate was increased from 5.5% to 6.5% with an additional 1% increase phased-in in equal increments over a seven-year period. In PFRS and SPRS, the member contribution rate increased from 8.5% to 10% and from 7.5% to 9%, respectively. In JRS, the member contribution rate is increasing an additional 9% from 3% to 12%. The JRS member contribution rate increase is being phased-in over a period of seven years. The reforms also include suspending cost-of-living benefits in all Pension Plans, limiting future retirement benefits payable to new members in the PERS and TPAF by increasing the service retirement age from 60 to 65 and the number of years needed to qualify for early retirement benefits from 25 to 30 years with a one quarter of 1% reduction for each month under age 65, and reducing the special retirement benefit for new PFRS members from 65% of final compensation after 25 years of service and 70% of final compensation after 30 years of service to 60% of final compensation after 25 years and 65% after 30 years.

The 2011 Pension and Health Benefit Reform Legislation contains a provision stating that members of the Pension Plans now have a contractual right to the annual required contribution made by the State and local participating employers and failure by the State and local employers to make annual required contributions is deemed an impairment of the contractual right of each member. This language may limit the State's ability to reduce or limit pension contributions in response to future budgetary constraints. Notwithstanding the foregoing, the State's contributions are subject to annual appropriation by the State Legislature.

The pension reforms also include a change in the amortization method that calculates the amount of the UAAL that is included in the annual pension contribution. Under the new amortization method, the UAAL will be amortized over an open-ended 30 year period and assumed to be paid in level dollars in each year of the amortization period. In addition, beginning with the July 1, 2019 actuarial valuation, the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20 years, when the amortization period will revert to an open-ended 20 year period. This change in the amortization method will ensure that a portion of the UAAL is assumed to be retired in the year that the recommended rates calculated by the actuarial valuation are applied, assuming that the State makes the full actuarially recommended contribution.

The pension reforms also include the establishment of six new pension committees for the Pension Plans which, together with the State House Commission for JRS, will have the discretionary authority to modify various aspects of the Pension Plans once they meet a targeted funded ratio. The target funded ratio is initially set at 75% in Fiscal Year 2012 and increases annually in equal increments to 80% by Fiscal Year 2018. After reaching the targeted funded ratio, these committees (and the State House Commission for JRS) will have the discretionary authority to modify member contribution rates, the formula for calculation of final compensation or

final salary, the fraction used to calculate a retirement allowance, and the age at which a member may be eligible for service and early retirement benefits. The committees will also have the authority to reactivate the cost of living adjustment on pensions and to modify the basis for the calculation of the cost of living adjustment and set the duration and extent of the activation when the targeted funded ratio is reached. However, no decision of the committees (or the State House Commission for the JRS) can be implemented if the direct or indirect result of the decision causes the projected funded ratio of the applicable Pension Plan to fall below the targeted funded ratio in any valuation period during the 30 years following the implementation of the decision as determined by the actuary for the applicable Pension Plan.

New Jersey Pension and Health Benefit Study Commission. In August 2014, the Governor created the New Jersey Pension and Health Benefit Study Commission (the "Commission"). The Commission is tasked with making recommendations regarding, among other things, the goals and criteria and funding policies for a sustainable retirement and health benefit system. The Commission will issue its recommendations in a report to the Governor. The Commission is tasked with evaluating virtually every aspect of the Pension Plans and, thus, could make recommendations that, if adopted, could substantially impact the UAAL and Funded Ratio or substantially increase or decrease the State's contributions, or both.

Alternate Benefit Program

In addition to these defined benefit programs, the State also maintains the Alternate Benefit Program ("ABP"), which is a defined contribution plan for eligible employees of the public institutions of higher education in the State. Employer and employee contributions under the ABP are paid to authorized investment carriers who offer participants a variety of investment choices. The seven investment carriers for this program are ING Life Insurance and Annuity Company, Met Life, TIAA- CREF, VALIC, AXA Financial (Equitable), The Hartford and Prudential Retirement. The State pays the employer pension contribution to the ABP at a rate equal to 8.0% of the member's base salary. In addition, the State provides funding to cover the cost of noncontributory group life insurance and long-term disability insurance coverage for ABP participants. For Fiscal Years 2012 and 2013, the State contributed $178.5 million and $181.6 million, respectively, to cover pension contributions and to provide funding for noncontributory group life insurance and long-term disability benefits. For Fiscal Year 2014, the Fiscal Year 2014 Appropriations Act included $186.6 million to cover pension, noncontributory group life insurance, and long-term disability benefit costs. For Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes $194.3 million to cover such benefit costs. Since the ABP is a defined contribution plan and not a defined benefit plan, the State's sole obligation with respect to the ABP is to make the annual contributions and the State has no responsibility to ensure that the participating employees ultimately receive a level of benefit.

Defined Contribution Retirement Program

The State Legislature adopted legislation in the Fiscal Year ending June 30, 2007, L. 2007, c.92, amended by L. 2007, c.103, L. 2008, c.89, and L. 2010, c.1, which required the establishment of the Defined Contribution Retirement Program (the "DCRP"). The DCRP includes a defined contribution plan providing pension benefits for elected and appointed officials, for certain PERS, TPAF, PFRS and SPRS employees with pensionable wages in excess of the Social Security wage base limit and certain part-time employees ineligible for membership in the PERS and TPAF. The DCRP also includes noncontributory group life insurance and long-term disability benefits for participants. The employee pension contribution rate for the DCRP is 5.5%. Employers are required to contribute an additional 3.0% of base salary on behalf of employees enrolled in the plan to fund pension benefits. With regard to PERS, TPAF, PFRS and SPRS members that are enrolled in the DCRP because their pensionable wages exceed the Social Security wage base limit, contributions are based on compensation in excess of the Social Security wage base limit.

Eligibility for membership in the DCRP was expanded in accordance with L. 2010, c.1. Under this legislation, those who are no longer eligible for the PERS and TPAF because they work less than full-time are eligible to participate in the DCRP, provided their annual salary is $5,000 or higher.

For Fiscal Year 2014, the State contributed $1.2 million to the DCRP to cover pension benefit costs and $39,000 to cover insurance benefit costs. For Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes $1,268,000 as the State's pension contribution to the DCRP and $410,000 to cover insurance benefit costs.

Central Pension Fund. The State also administers the Central Pension Fund ("CPF"), which is a single-employer noncontributory defined benefit plan for special groups that are not included in other State-administered systems. The State funds the CPF on a pay-as-you-go basis. There are no State or local government employees covered by the CPF.

Noncontributory Life Insurance. The State funds noncontributory insurance benefit costs for active and retired State employees. State appropriations are received on a monthly basis to cover actual benefit charges incurred and payable to beneficiaries of active and retired State employees plus administrative fees charged by the insurance providers. The State funds these benefit costs on a pay-as-you-go basis and does not actuarially determine the future liability of these benefit costs; therefore benefit costs can fluctuate from year to year. For Fiscal Year 2014, the State contributed $76.7 million to cover noncontributory insurance benefit costs. For Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes $79.1 million to fund noncontributory insurance benefit costs.

Recent Accounting Changes Affecting Pension Plans Generally.

On June 25, 2012, GASB approved two new standards designed to improve the accounting and financial reporting of public employee pensions by state and local governments and enhance the usefulness of pension information for making decisions and assessing accountability. New GASB Statement No. 67, *Financial Reporting for Pension Plans,* replaces GASB Statement No. 25, and revises existing guidance for the financial reports of public pension plans. New GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* replaces GASB Statements No. 27 and No. 50, and revises and establishes new financial reporting requirements for governmental employers that provide their employees with pension benefits. Although these new GASB Statements are intended to improve comparability between public pension plans by standardizing the way certain financial data relating to these plans are disclosed, they do not require plans to change their methods used to compute actual employer contributions to the plan. Employer contributions to the Pension Plans continue to be calculated per the requirements of the governing State statutes using generally accepted actuarial procedures and practices.

The new GASB Statements have been formally issued; however, their impact has not yet been identified. It is anticipated, however, that the changes will have a material impact on the Pension Plans' liabilities and funded level, as currently disclosed. The changes are expected to increase pension liabilities, and decrease funded levels, for disclosure purposes.

New GASB Statements No. 67 and 68 will require governmental plans to utilize the entry age normal actuarial cost method to compute pension liabilities and annual actuarially required contributions for disclosure purposes as opposed to the projected unit credit actuarial cost method, currently the statutorily required method used by the Pension Plans to calculate actual employer contributions. Under the entry-age normal actuarial cost method, pension liabilities are projected to the members' assumed retirement date and the annual normal cost of each member's pension is allocated as either a level amount or a level percent of payroll between the time employment starts (entry age) and the assumed retirement date. The goal is to spread the normal cost evenly over the career of the member. Under the projected unit credit actuarial cost method, pension liabilities are represented as the benefits that have accrued to members as of the valuation date and the normal cost represents the cost of benefits accrued to members during the plan year. By comparison, the entry-age normal actuarial cost method results in a more level contribution pattern. The projected unit credit generates costs which are directly attributable to the value of benefits being earned.

The new GASB Statements will require that the discount rate used to discount projected benefit payments to their present value will be based on a single rate that reflects (a) the long-term expected rate of return on plan

investments as long as the plan net position is projected under specific conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return; and (b) a yield or index rate on tax-exempt 20-year, AA- or higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. It is anticipated that this change may result in a discount rate which is substantially lower than the 7.90% rate currently used to discount the projected benefits of the Pension Plans.

As with the former standards, new GASB Statements No. 67 and 68 relate only to accounting and financial reporting and do not address how governments are to approach pension plan funding (i.e. the computation of actual employer contributions). The provisions in new GASB Statement No. 67 arc effective for financial statements for periods beginning after June 15, 2013. The provisions in new GASB Statement No. 68 are effective for fiscal years beginning after June 15, 2014.

FUNDING POST-RETIREMENT MEDICAL BENEFITS

In addition to the pension benefits, the State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. This includes retired State employees of PERS, TPAF, PFRS, SPRS, JRS and ABP; local retired TPAF and other school board employees; and some local PFRS retirees. To become eligible for this State-paid benefit, a member of these Pension Plans must retire with 25 or more years of pension service credit or on a disability pension. These benefits are provided through the State Health Benefits Program (SHBP) and the School Employees' Health Benefits Program (SEHBP). The SHBP and the SEHBP are administered by the Division of Pensions and Benefits. The benefits provided include medical, prescription drug, and Medicare Part B and Part D reimbursement for covered retirees, spouses and dependents. In Fiscal Years 2014, the State paid PRM benefits for 135,011 State and local retirees.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2014, the State contributed $1.396 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. For Fiscal Year 2015, the Fiscal Year 2015 Appropriations' Act includes $1.701 billion as the State's contribution to fund pay-as-you-go PRM costs. The increase in the State's pay-as-you-go contribution is attributable to rising health care costs as well as an increase in the number of participants qualifying for State-paid PRM benefits at retirement. In addition, the State utilized available reserves in the State Health Benefits Program Fund to reduce the amount of funding required in Fiscal Year 2014 to cover incurred claim costs. The State expects that funding to cover the pay-as-you-go PRM benefit costs will continue to increase going forward. However, as a result of health reform measures enacted by the State in 2011, including a requirement that certain future retirees eligible for State-paid coverage contribute toward such coverage, the rate of growth in the State's contribution should begin to decrease in the future. (See "FUNDING POST-RETIREMENT MEDICAL BENEFITS—*Pension and Health Benefits Reform*" herein.

In accordance with the provisions of GASB Statements No. 43 and 45, the State is required to quantify and disclose its obligations to pay PRM to current and future retirees. Based on the most recent valuation of these benefits and as summarized in the report, "Postemployment Benefits Other Than Pension Actuarial Valuation," submitted to the Division of Pensions and Benefits by Aon Hewitt in April 2014, the Fiscal Year 2013 actuarial accrued liability of the State to provide PRM to active and retired members of the Pension Plans, which is based upon GASB 43 results as of July 1, 2013, has been measured to be $53,000.1 million, an increase of $1,498 million or 2.91% as compared to the Fiscal Year 2012 actuarial accrued liability of $51,502.6 million. An informational copy of the valuation report has been posted on the Division of Pensions and Benefits' website at http://www.state.nj.us/ treasury/pensions/financial-rprts-home.htm. GASB Statement No. 45 does not impose any requirement on the State to pre-fund its PRM actuarial accrued liability.

The results of the report are summarized in the table below.

	GASB Statement No. 43 Results ($ millions) as of July 1, 2013		
	State	Education-State	Total
Actuarial Accrued Liability*			
Active	$10,123.1	$19,163.4	$29,286.5
Retired	$ 9,623.6	$14,090.0	$23,713.6
Total	$19,747.7	$33,253.4	$53,000.1

*Assuming no pre-funding of obligations

The amounts set forth in this table exclude the actuarial accrued liability of the Local Governmental Employers who are participating in the State Health Benefits Program. The PRM actuarial accrued liability for the local governmental employers is $13,804.5 million. The State has no legal responsibility with respect to the PRM obligations of Local Governmental Employers.

Aon Hewitt calculated the State PRM actuarial accrued liability based on plan provisions, as provided by the State, along with certain demographic and economic assumptions recommended by Aon Hewitt and approved by the State, and which conform to the requirements of GASB 43 and 45. Aon Hewitt used the Projected Unit Credit Actuarial Method to calculate the PRM actuarial accrued liability of the State and local participating employers. Many of the actuarial assumptions used to project the PRM actuarial accrued liability are the same as those used to determine the accrued actuarial liabilities of the Pension Plans. The discount rate used to determine the retiree healthcare liabilities is 4.5%, which is the maximum discount rate that GASB 43 and 45 permit when employers do not pre-fund their PRM actuarial accrued liabilities. When projecting the growth of expected claims of the lifetimes of the qualifying retirees, (1) Aon Hewitt assumed that pre-age 65 healthcare expenses would increase at a rate of 8.0% in Fiscal Year 2014 and decrease to a 5.0% long-term trend for all medical benefits after 7 years, post-age 65 healthcare expenses for the HMO plans would increase at a rate of 8.0% in Fiscal Year 2014 and decrease to a 5.0% long-term trend after 7 years and post-age 65 healthcare expenses for the PPO plans would increase at a trend rate of 5% per year and (2) Aon Hewitt assumed that prescription drug expenses would increase at a rate of 8.0% for current and future retirees in Fiscal Year 2014 and decrease to a 5.0% long-term trend rate after 7 years. For additional information regarding the PRM actuarial accrued liability of the State and local employers, including a detailed description of the related actuarial methods and assumptions, refer to the July 1, 2013 State of New Jersey, Postemployment Benefits Other Than Pension Actuarial Valuation. An informational copy of the valuation report has been posted on the Division of Pensions and Benefits' website at: http://www.state.nj.us/treasury/pensions/financial-rprts-home.htm. The valuation reports for the years July 1, 2006 through July 1, 2012 are posted on the web site.

SCHEDULE OF ACTUARIAL STATUS OF POST-RETIREMENT MEDICAL BENEFITS
Actuarial Valuations as of July 1, 2006 through July 1, 2013
(In millions)

Actuarial Valuation Date	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAA as a Percentage of Covered Payroll	Actual Pay-As You-Go Contribution
State & Education					
7/1/2006	$58,059.0	0%	n/a	n/a	$ 955.8
7/1/2007	$50,649.5	0%	n/a	n/a	$1,021.6
7/1/2008	$55,913.5	0%	$20,180.2	277.1%	$1,055.7
7/1/2009	$56,782.5	0%	$20,794.4	273.1%	$1,045.7
7/1/2010	$59,282.0	0%	$20,870.0	284.1%	$1,111.8
7/1/2011	$48,949.7	0%	$20,286.7	241.3%	$1,191.6
7/1/2012	$51,502.6	0%	$20,513.9	251.1%	$1,221.8
7/1/2013	$53,000.1	0%	$20,964.3	252.8%	$1,360.0
Local					
7/1/2006	$10,774.6	0%	n/a	n/a	$ 159.5
7/1/2007	$ 9,096.6	0%	n/a	n/a	$ 159.2
7/1/2008	$ 8,840.5	0%	$ 2,411.7	366.6%	$ 145.2
7/1/2009	$10,010.4	0%	$ 2,607.2	384.0%	$ 142.0
7/1/2010	$12,089.8	0%	$ 2,844.1	425.1%	$ 173.6
7/1/2011	$11,127.0	0%	$ 2,831.0	393.0%	$ 204.7
7/1/2012	$12,378.1	0%	$ 2,937.0	421.4%	$ 245.5
7/1/2013	$13,804.5	0%	$ 3,156.0	437.4%	$ 306.6

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the unfunded actuarial accrued liability, funded ratio, and covered payroll was derived from the Postemployment Benefits Other Than Pension Actuarial Valuation Reports dated July I, 2006 through July I, 2013. Information regarding the actual pay-as-you-go contributions was provided by the Division of Pensions and Benefits.

(1) The actuarial accrued liability is the liability or obligation for benefits earned by active and retired employees through the valuation date based on certain actuarial methods and assumptions. The majority of this obligation is for active employees.

Pension and Health Benefits Reform. On June 28, 2011, the Governor signed into law health benefits reform as part of the 2011 Pension and Health Benefits Reform Legislation which requires all public employees participating in the SHBP and SEHBP to contribute more toward their health insurance coverage. The legislation also requires certain future retirees eligible for State-paid health insurance coverage at retirement to contribute toward the cost of their post-retirement medical coverage. Specifically, the 2011 Pension and Health Benefits Reform Legislation requires active employees to pay a percentage of the premium for the level of coverage selected by the employee. The percentage will vary based on the employee's base salary and the coverage level and will range from 3% for the lowest paid employees to 35% for the highest paid employees. For those employees employed as of June 28, 2011, the contribution rates will be phased-in over a four year period in increments of 25% per year. New employees hired on or after June 28, 2011 will be required to contribute at the full rate. The 2011 Pension and Health Benefits Reform Legislation establishes a minimum employee contribution of 1.5% of salary in the first year due to the 4-year phase-in provision; however, beginning in the second year of the 4-year phase-in period, which commenced in July 2012, most employees were required to pay a higher contribution based on the new percentage as reflected on the premium tables. By July, 2014, the 4-year phase-in period will be completed for most State employees. Pursuant to the 2011 Pension and Health Benefits Reform Legislation, future retirees eligible for PRM coverage who on June 28, 2011 had less than 20 years of creditable service will also be required to pay a percentage of the cost of their health care coverage at retirement under the new law provided they retire with 25 or more years of pension service credit. However, the percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

In accordance with the 2011 Pension and Health Benefits Reform Legislation, two new Plan Design Committees have been formed, one for the SHBP and one for the SEHBP. These new committees have established new plan design options for participating employees and retirees in the SHBP and SEHBP with lower premiums in exchange for higher copayments, deductibles and other participant costs. The new plan design options include High Deductible Health Plans with a Health Savings Account component. The State Health Benefits Commission and the School Employees' Health Benefits Commission approved the new plan design options on October 12, 2011, which were available to participants beginning January 1, 2012. The Commissions approved additional lower cost plan design options established by the design committees which were available to participants beginning January 1, 2014.

As shown in the *Schedule of Actuarial Status of Post-Retirement Medical Benefits* above, the total unfunded actuarial accrued liability (UAAL) for post-retirement medical benefits for which the State is liable increased by $1.498 billion or 2.91% between the July 1, 2012 and July 1, 2013 actuarial valuations from $51.503 billion to $53.0 billion. This increase in the post-retirement medical UAAL is attributable to the State continuing to fund post-retirement medical benefits on a pay-as-you-go basis as opposed to prefunding benefits by making the actuarially recommended normal contribution and making a contribution toward the unfunded liability. The reduction in the post-retirement medical UAAL between the July 1, 2010 and July 1, 2011 actuarial valuations was mainly attributable to a change in the prescription drug Medicare integration from the Retiree Drug Subsidy (RDS) to an Employer Group Waiver Program (EGWP) effective January 1, 2012. In addition, GASB regulations allow such federal payments and reimbursements under EGWP to be reflected in the total UAAL. As a result of the change in the prescription drug Medicare integration, the State's portion of the total UAAL for post-retirement medical benefits decreased by an estimated $9.437 billion or 16% as of the July 1, 2011 actuarial valuation. The reduction in the State's portion of the total post-retirement medical UAAL between the July 1, 2010 and July 1, 2011 actuarial valuations was also attributable to the health reform measures included in the 2011 Pension and Health Benefits Reform Legislation, which lowered unfunded accrued liabilities by approximately 4.0% or $2.5 billion as of July 1, 2011.

LITIGATION

The following are cases presently pending or threatened in which the State has the potential for either a significant loss of revenue or a significant unanticipated expenditure.

Bacon v. New Jersey Department of Education. On September 8, 2014, the *Bacon* districts (sixteen rural, poor school districts) filed a verified complaint and order to show cause in the New Jersey Superior Court, Law Division. The *Bacon* districts previously had a multi-year administrative litigation (which ended in 2006) against the New Jersey Department of Education ("DOE") to determine whether the prior funding formula under the Comprehensive Educational Improvement and Financing Act ("CEIFA") was unconstitutional as applied to the *Bacon* districts. While factual findings were made that the *Bacon* districts were not providing a thorough and efficient education to their students, in March 2008, the Appellate Division ordered the DOE Commissioner to conduct a needs assessment of the *Bacon* districts to determine whether the School Funding Reform Act of 2008 ("SFRA") provided sufficient funds to the *Bacon* districts in order to provide a thorough and efficient education to their students. The reports concluded that sufficient funds were available but also directed regionalization studies, training and technical assistance. Plaintiffs now allege that because the *Bacon* districts have not received the State aid required under SFRA, the *Bacon* district students are being deprived of a thorough and efficient education as called for in the State Constitution. The Plaintiffs seek an order "requiring the provision of K-12 funding, preschool, facilities improvements and other measures as determined necessary to remedy the continuing constitutional violation" in the *Bacon* districts. The State intends to vigorously defend this matter.

FiberMark North America, Inc. v. State of New Jersey, Department of Environmental Protection. This lawsuit was filed in Superior Court, Law Division, Hunterdon County on May 27, 2008 by FiberMark North America, Inc. ("FiberMark") as owner of the Warren Glen waste water treatment facility ("Warren Glen") in Hunterdon County against the Department of Environmental Protection ("DEP"). FiberMark's complaint asserted claims against DEP under the New Jersey Eminent Domain Act, *N.J.S.A.* 20:3-1 *et seq*., Article 1, Paragraph 20 of the State Constitution and the 5th and 14th Amendments of the United States Constitution, and for trespass, private nuisance, negligence and dangerous condition under the New Jersey Tort Claims Act, *N.J.S.A.* 59:1-1 *et seq*. Specifically, FiberMark alleged that DEP was responsible for unpermitted discharges of landfill pollutants into FiberMark's waste water treatment lagoon #1 at Warren Glen from a neighboring landfill. FiberMark also claimed that it has suffered damages due to incurred maintenance costs for Warren Glen, taxes, utility fees, license fees and operating fees and costs associated with Warren Glen, costs to operate the wastewater treatment system for Warren Glen, costs associated with delay in the clean-up of Warren Glen under the ISRA statutes, consulting and legal fees, and other costs resulting from being unable to cease operations and to decommission and sell Warren Glen.

FiberMark claims it is the successor to a 1991 landfill agreement ("1991 Agreement"), by which FiberMark was obligated to receive and treat leachate from the neighboring landfill in FiberMark's waste water treatment lagoons before discharge into the Musconetcong River. FiberMark claims that as part of a voluntary Chapter 11 bankruptcy petition for reorganization filed in the State of Vermont, the bankruptcy court granted FiberMark's motion to reject the 1991 Agreement on June 23, 2005. FiberMark claims it has had no responsibility to treat the leachate from the neighboring landfill since that date and has suffered damages from DEP's alleged illegal discharges of leachate onto Warren Glen, and that DEP forced FiberMark to continue treating leachate discharged from the neighboring landfill from March 2006 through September 13, 2007. In April 2007, DEP successfully rerouted the leachate so that it no longer runs onto Warren Glen and is permanently enjoined, on a prospective basis, from allowing leachate to run onto Warren Glen pursuant to a partial consent judgment entered into by the parties on September 12, 2007 in a related federal case, *FiberMark North America Inc. v. Jackson*. At the conclusion of FiberMark's presentation of its case at trial, DEP moved to dismiss the matter, which the court granted. On May 26, 2009, Fibermark filed several motions with the trial court and filed a notice of appeal with the Appellate Division. On July 6, 2009, Fibermark filed a motion with the Appellate Division requesting the Appellate Division compel the trial court to decide the motions previously filed with the trial court. By order dated September 18, 2009, the Appellate Division temporarily remanded the matter for 30 days to the trial court to rule on the post-judgment motions. On October 23, 2009, the trial court issued a decision from the bench

denying FiberMark's motions. On August 5, 2011, the Appellate Division issued a decision affirming the trial court's decision in part, reversing in part and remanding for further proceedings.

The Appellate Division affirmed the trial court's dismissal of FiberMark's continuing trespass, continuing dangerous condition and inverse condemnation claim and the trial court's denial of FiberMark's motion to amend its pleadings. The Appellate Division agreed with the trial court's conclusion that FiberMark should not be permitted to seek damages based on allegations that FiberMark sold Warren Glen for a reduced amount after an option for the sale of the property fell through on account of the leachate.

However, the Appellate Division reversed the trial court's dismissal of the nuisance claim and remanded this claim to the trial court. The Appellate Division also held that FiberMark should be permitted to seek reimbursement for the costs it incurred in continuing to operate the leachate treatment lagoons after it stopped operating the paper mill.

The trial court has declined to stay the proceedings on remand, and DEP filed a motion for summary judgment on the nuisance claims remanded to the trial court on October 5, 2011. On February 22, 2012, the jury returned a verdict in favor of DEP, finding that DEP did not commit a nuisance. On March 7, 2012, FiberMark filed a motion seeking a new trial, which was denied by the trial court. FiberMark appealed the trial court's denial and on May 27, 2014 decision, the Appellate Division affirmed the decision below that DEP did not commit a nuisance. The State is vigorously defending this matter.

New Jersey Department of Environmental Protection et al. v. Occidental Chemical Corporation, et al. In December 2005, the DEP, the Commissioner of DEP, and the Administrator of the New Jersey Spill Compensation Fund (collectively, "Plaintiffs") filed suit in the Superior Court, Law Division, Essex County against Occidental Chemical Corporation ("Occidental"), Maxus Energy Corporation ("Maxus"), Tierra Solutions, Inc. ("Tierra"), Repsol YPF, S.A. ("Repsol"), YPF, S.A. ("YPF"), YPF Holdings, Inc. and CLH Holdings, Inc. seeking costs and damages relating to the discharge of dioxin into the Passaic River and its environs by Diamond Shamrock Corporation ("Diamond Shamrock"), a predecessor of defendant Occidental. In November 2008, Maxus and Tierra filed counterclaims against the Plaintiffs seeking, among other things, (a) contribution under the New Jersey Spill Compensation and Control Act, *N.J.S.A.* 58:10-23.11 to -23.24 (the "Spill Act"), for an equitable share of any Passaic River cleanup and removal costs and damages for which Maxus and Tierra may be found liable, (b) claims under the Environmental Rights Act, *N.J.S.A.* 2A:35A-1 to 35A-14, and an injunction against the issuance of permits issued in violation of *N.J.S.A.* 58:14-7 and -8; (c) the abatement of discharges of untreated or inadequately treated wastewater in the Newark Bay Complex; the abatement of pollution sources from outside the Newark Bay Complex; and an order removing DEP as trustee for natural resources within the Newark Bay Complex, (d) a judgment finding DEP liable for aiding and abetting discharges of polluting matter into the Passaic River, and an injunction prohibiting DEP from permitting or condoning the further discharge of polluting matter into the Passaic River or its tributaries, (e) the reduction or extinction of any judgment rendered against Maxus and Tierra under the doctrine of recoupment, (f) a judgment that DEP is liable for public nuisance in the event that all or part of the Newark Bay Complex is determined to be a public nuisance, (g) an order imposing on the Plaintiffs an equitable share of any relief the court might order on the Plaintiffs' public nuisance claims, (h) an order setting off the Plaintiffs' share of liability for discharges of hazardous substances into the Newark Bay Complex and an order setting off any benefits that the Plaintiffs have received from activities that contaminated the Newark Bay Complex against any liability that Maxus and Tierra may have, and (i) contribution for a proportionate share of cleanup and removal costs, damages or other losses for which Maxus and Tierra may be held liable or that they have incurred or may incur for the Newark Bay Complex. In February 2009, Maxus and Tierra filed third party complaints against the State, the Department of Agriculture ("NJDA"), New Jersey Transit and the Department of Transportation ("NJDOT"), among others, seeking contribution from each of these Third Party Defendants. With respect to NJDOT, Maxus and Tierra allege that hazardous substances were discharged into the Newark Bay Complex from the Kearny Oil Lake Site while NJDOT owned and operated that site and that NJDOT is a discharger under the Spill Act. With respect to the NJDA, Maxus and Tierra allege that mosquito spraying conducted by the NJDA in the vicinity of the Passaic River or its tributaries contributed to the contamination in the Passaic River. NJDOT and NJDA joined in

separate motions to dismiss portions of the third party complaint filed by Maxus and Tierra. In December 2010, the Special Master assigned to this matter recommended the dismissal of certain of Maxus and Tierra's counterclaims against Plaintiffs and cross claims against the State, as a third-party defendant. Specifically, the Special Master recommended dismissal of Maxus and Tierra's claims: (1) against DEP and the State involving their regulatory roles, including those for failure to enforce the law; (2) involving the State's ownership of submerged lands; (3) alleging that DEP and/or the State improperly issued certain permits; (4) against DEP involving spraying of DDT; (5) against DEP and the State involving the Kearny Oil Lake site; and (6) against DEP and the State alleging violation of the Public Trust Doctrine. Maxus and Tierra appealed the Special Master's recommendation to the court. On March 8, 2011, the court adopted the Special Master's recommendations and dismissed certain of Maxus and Tierra's claims against DEP and all of the claims against the State, as third party defendant and issued an order to that effect on May 11, 2011.

On July 19, 2011, the court ruled that Occidental, as the successor to Diamond Shamrock is strictly, jointly and severally liable under the Spill Act for all cleanup and removal costs associated with the hazardous substances discharged by Diamond Shamrock from the Lister Avenue Site into the Passaic River between 1951 and 1969. A similar judgment was rendered under the Spill Act against Tierra on August 24, 2011, on the basis that Tierra, the current owner of Diamond Shamrock's Lister Avenue Site, knowingly took title to the contaminated Lister Avenue Site. The court also granted Occidental's motion for partial summary judgment against Tierra, finding that Tierra was liable to Occidental in contribution on the same basis. On that same date, Occidental also obtained a judgment against Maxus on a claim for indemnity under a 1986 Stock Purchase Agreement, whereby Occidental purchased all of the stock of Diamond Shamrock from Maxus. The court found that Maxus was liable to Occidental in perpetuity for any cleanup and removal costs paid by Occidental as the successor to Diamond Shamrock. On May 21, 2012, the court granted the State's motion for partial summary judgment against Maxus on liability, finding Maxus, as the alter ego of Tierra, strictly liable, jointly and severally under the Spill Act for all cleanup and removal costs associated with the hazardous substances discharged at and from the Lister Avenue site. The judgment against Maxus concluded the liability phase of the action.

Both the Plaintiffs and Occidental have alleged that Repsol and YPF committed a fraud upon both parties by systematically stripping assets from Maxus leaving Maxus unable to satisfy any Passaic River cleanup liabilities that may be imposed on it.

On January 22, 2013, attorneys for the Plaintiffs and several hundred Third-Party Defendants (including NJDOT and NJDA) informed the court that they reached preliminary agreement on a proposed Consent Judgment to settle certain claims. On March 23, 2013, the State informed the court that a super-majority of the Third-Party Defendants had approved the Consent Judgment. On October 28, 2013 the Consent Judgment was submitted to the court for approval and was approved on December 12, 2013.

On April 15, 2013, attorneys for the Plaintiffs and Defendants Tierra; Maxus; Maxus International Energy Company; Repsol; YPF; YPF Holdings, Inc.; YPF International S.A., and CLH Holdings, Inc. (collectively, the "Settling Defendants") informed the court that they had agreed on a confidential term sheet setting forth a framework to resolve the claims between them and also informed the court that they had reached preliminary agreement on a proposed Settlement Agreement. On June 7, 2013, the Plaintiffs reported to the court that the Settling Defendants had approved the Settlement Agreement. On October 28, 2013 the Settlement Agreement was submitted to the court for approval and was approved on December 12, 2013.

Occidental is not participating in the Settlement Agreement with the Settling Defendants, and filed a notice of appeal on January 24, 2014 with the Appellate Division. On March 26, 2014, the Appellate Division granted the State's motion for summary disposition and affirmed the Settlement Agreement. Occidental currently is the only original Defendant remaining in the case, and certain State claims against Occidental continue to be litigated. Occidental's fraudulent conveyance claims against Repsol, S.A. and YPF, S.A. also continue to be litigated. The trial dates for both sets of claims will be set by future order of the court. The State is vigorously defending this matter.

East Cape May Associates v. New Jersey Department of Environmental Protection. This matter is a regulatory taking case in which the Plaintiff claims that it is entitled to in excess of $30 million in damages for a taking of its property without just compensation. The property is approximately 96 acres of freshwater wetlands in the City of Cape May. Plaintiff filed its complaint in Superior Court, Law Division, on December 8, 1992, after the DEP denied an application for 366 single family homes. On motion for summary judgment, the trial court ruled that the State was liable for a regulatory taking as of December 1992. Thereafter, the New Jersey Appellate Division held that DEP could avoid liability by approving development on the property under Section 22(b) of the Freshwater Wetlands Protection Act. In addition, the Appellate Division remanded the case for a determination of whether the "property" also included 100 acres previously developed by the Plaintiff's principals. On remand from the Appellate Division, the trial court ruled on October 8, 1999 that the "property" did not include the 100 acres previously developed, and that DEP could not approve development of the 80 remaining acres without first adopting rules. Since DEP had not adopted rules, the trial court held that DEP's development offer of 64 homes on the 80 acres was ineffective and DEP was liable for a taking of the property. The State filed an appeal of the trial court's decision and East Cape May Associates filed a cross-appeal. On July 25, 2001, the Appellate Division affirmed the trial court's decision, and found that before DEP could approve limited development to avoid a taking, it was required to adopt rules. The Appellate Division remanded the case for such rule-making, the making of a development offer under the rules, and a determination by the trial court as to whether the new offer complies with the rules and avoids a taking. East Cape May Associates petitioned the New Jersey Supreme Court for certification of this decision, which was denied. Upon remand from the Appellate Division, DEP promulgated regulations to implement Section 22(b), which took effect on January 22, 2002. On July 1, 2009, the parties reached a settlement of the case, and submitted a consent order and stipulation of dismissal to the trial court contingent upon federal approval from the United States Army Corps of Engineers. The relevant federal agencies expressed opposition to the proposed settlement. On May 25, 2012, East Cape May Associates served notice asserting its rights to terminate the settlement, demanding that within 60 days DEP initiate the reconsideration process. DEP has initiated the reconsideration process pursuant to the regulations. The State is vigorously defending this matter.

Powell v. State. On September 12, 2011, seven State and local employees filed suit in Superior Court, Law Division, Mercer County, subsequently transferred to Burlington County, against the State, various Executive Branch officials, and the State Legislature challenging various provisions of Chapter 78 that concern health benefits on various State constitutional law grounds. On October 20, 2011 and November 16, 2011, respectively, the State Legislative Branch Defendants and the State Executive Branch Defendants filed motions to dismiss for failure to state a claim upon which relief may be granted. The court bifurcated the State Legislative Branch Defendants' motion to dismiss from the State Executive Branch Defendants' motion to dismiss. The court granted the State Legislative Branch Defendants' motion to dismiss on August 24, 2012. On March 8, 2013, the court granted the State Executive Defendants' motion to dismiss. The State employees did not appeal. However, three municipal firefighters appealed. On August 15, 2014, the Appellate Division upheld the Court's decision to dismiss the complaint. The time to file a notice of petition for certification with New Jersey Supreme Court has expired.

Berg v. Christie. On December 2, 2011, a number of retired Deputy Attorneys General and retired Assistant Attorneys General (collectively, the "Plaintiffs") filed a lawsuit in Superior Court, Law Division, Mercer County against various State officials challenging the constitutionality of Section 25 of Chapter 78, which temporarily suspends the payment of pension adjustments to retired public employees. The Plaintiffs allege violation of multiple provisions of both the State and federal constitutions and seek monetary damages, injunctive relief, and a declaratory judgment. On February 2, 2012, the State filed a motion to dismiss for failure to state a claim upon which relief may be granted. On March 16, 2012, Plaintiffs' filed cross-motion for summary judgment. On April 16, 2012, the New Jersey Education Association and other labor organizations (collectively, the "NJEA") filed a motion to intervene or, in the alternative, to be permitted to submit an amicus brief. On April 23, 2012, the court granted NJEA's motion to intervene permissively. On June 7, 2012, the court entered an Order granting the State's motion to dismiss, denying Plaintiffs' cross-motion for summary judgment, and dismissing Plaintiffs' Complaint. On June 20, 2012, the court issued an amended Order that 1) converted the State's motion to dismiss into a motion for summary judgment, 2) granted the

State's motion for summary judgment, 3) denied the Plaintiffs' cross-motion for summary judgment, 4) dismissed the Plaintiffs' Complaint, 5) dismissed NJEA's Complaint-in-Intervention, and 6) vacated its June 7, 2012 Order. Plaintiffs filed an appeal on August 1, 2012. The NJEA, as Plaintiff-Intervenors, filed a notice of appeal and a motion to consolidate their appeal with the appeal that the Plaintiffs' have filed. On October 4, 2012, the Appellate Division consolidated *Berg v. Christie* and the appeal of the NJEA Plaintiff-Intervenors which challenged the provision of Chapter 78 that temporarily suspends future COLA payments. On June 26, 2014, the Appellate Division reversed the trial court's grant of summary judgment and remanding for determination of whether Plaintiffs can meet the remaining prongs of a contract clause impairment analysis, while dismissing all other Plaintiffs' claims. On July 14, 2014, the *pro se* Plaintiffs filed a notice of petition with the New Jersey Supreme Court seeking a review of the Appellate Division's dismissal of all other Plaintiffs' claims. On July 16, 2014, the State filed a notice of cross-petition with the New Jersey Supreme Court on the State contracts clause claim. The State is vigorously defending this matter.

Pension Funding Litigation (Burgos et al. v. State et al.; CWA et al. v. Christie et al.; NJEA et al. v. State et al.; PANJ et al. v. State et al.) On May 20, 2014, the Governor issued Executive Order No. 156 that ordered the Budget Director to place into reserve $887 million that had been appropriated to pay down the UAAL of the Pension Funds. On June 4, 2014, a number of State Police-associated groups ("Burgos Plaintiffs") filed a verified complaint and order to show cause in the Law Division challenging the Governor's actions and naming both the Executive Branch and the Legislature as Defendants. On June 9, 2014, the Communications Workers of America ("CWA") and various other unions filed a separate verified complaint and order to show cause also challenging the Governor's actions in Fiscal Year 2014 and the Treasurer's recommendation that, due to an unprecedented revenue shortfall, the State not make the scheduled Chapter 1 ARC payment in Fiscal Year 2015. On June 9, 2014, the NJEA also filed a complaint challenging the Governor's actions in Fiscal Year 2014 and the State's proposed action in Fiscal Year 2015, but did not seek preliminary relief. On June 10, 2014, the Court signed CWA's order to show cause, again rejecting the application for preliminary restraints and scheduling a preliminary injunction hearing for June 25, 2014. On June 10, 2014, the trial court also *sua sponte* consolidated the three matters. Thereafter, the New Jersey Principals and Supervisors Association ("PSA") filed a motion to intervene in NJEA's action, which the court granted. On June 17, 2014, the Probation Association of New Jersey ("PANJ") filed a separate verified complaint, but not an order to show cause. On June 18, 2014, the Legislative Defendants filed a motion to dismiss the State Trooper's Complaint, the only complaint which named the Legislature as defendants. On June 25, 2014, the trial court heard oral argument and issued an opinion denying Plaintiffs' requests for preliminary injunctive relief and granting the Legislative Defendants' motion to dismiss.

On July 21, 2014, the trial court, at the State Executive Defendants' request, issued an order extending the time by which to file a responsive pleading from July 25, 2014 to August 25, 2014. On July 25, 2014, the Burgos Plaintiffs filed an amended complaint, challenging the State's decision not to appropriate monies in Fiscal Year 2015 to pay down the UAAL. On that same day, the CWA likewise filed an amended complaint, also challenging the State's decision not to appropriate monies in Fiscal Year 2015 to pay down the UAAL. CWA also moved to proceed summarily pursuant to R. 4:67-1(b). On September 2, 2014, the State Executive Defendants moved to dismiss all of the complaints filed in this matter. The State intends to vigorously defend this matter.

Oracle International Corporation v. Director, Division of Taxation On or about March 25, 2009, Oracle International Corporation ("Oracle") filed a complaint contesting the New Jersey Department of the Treasury, Division of Taxation's ("Division") December 17, 2008 Notice of Assessment Relating to Final Audit Determination, imposing Corporation Business Tax for the audit period June 1, 2001 through May 31, 2007. Oracle alleges it is not subject to tax in the State, and challenges the assessment on a number of grounds, including that Oracle does not have nexus to the State and that the State's "Throw Out Rule" under *N.J.S.A.* 54:10A-6(b) is facially invalid and unconstitutional as applied under the State and federal constitutions. Discovery is ongoing. The State intends to vigorously defend this matter.

Pfizer Inc. et al.v. Director, Division of Taxation. Two taxpayers, Pfizer Inc. ("Pfizer") and Whirlpool Properties, Inc. ("Whirlpool"), challenged the New Jersey Tax Court's affirmance of the facial constitutionality of the Corporation Business Tax ("CBT") "Throw-Out Rule," which affected the amount of taxable income taxpayers "allocate" to the State through 2010. In pursuit of their facial challenges, the taxpayers asserted that the

Throw-Out Rule (which requires the exclusion of certain receipts from the CBT "allocation formula") violates the Due Process and Commerce Clauses of the United States Constitution as well as various equitable principles. Two *amici curiae* further claimed that the Throw-Out Rule violates the Supremacy Clause of the United States Constitution. On May 29, 2008, the Tax Court granted the Division's cross-motion to sustain the facial constitutionality of the Throw-Out Rule. Taxpayers' "as-applied" challenges remain. In August 2008, Pfizer and Whirlpool sought leave for interlocutory review in the New Jersey Supreme Court. The New Jersey Supreme Court granted interlocutory review, but concurrently remanded to the Appellate Division for review on the merits. On July 12, 2010, the Appellate Division affirmed the Tax Court's decision on the facial constitutionality of the Throw-Out Rule. On October 21, 2010, the New Jersey Supreme Court granted the taxpayers' motion for leave to appeal. On May 3, 2011, Pfizer and the Division settled their dispute concerning the facial constitutionality of the Throw-Out Rule. By a unanimous opinion dated July 28, 2011, the New Jersey Supreme Court affirmed, with modification, the facial constitutionality of the Throw-Out Rule. Whirlpool's "as applied" constitutional challenge remains for adjudication by the Tax Court. Discovery is ongoing with respect to Whirlpool's "as applied" constitutional challenge. The State is vigorously defending this matter.

Banc of America Consumer Card Holdings Corporation v. Director, Division of Taxation. On or about August 5, 2011, Banc of America Consumer Card Holdings Corporation ("BOA") filed a complaint in the Tax Court of New Jersey, contesting the Division's May 9, 2011 denial of a CBT refund for tax periods January 1, 2006 through December 31, 2008. BOA does not challenge the State's jurisdiction to impose CBT. BOA alleges that its income from intangibles should be sourced to BOA's alleged commercial domicile outside of the State. The State filed an answer to the complaint on October 4, 2011, and an amended answer on March 6, 2012. Discovery is ongoing. The State is vigorously defending this matter.

New Cingular Wireless, PCS, LLC v. Director, Division of Taxation. On or about August 4, 2012, New Cingular Wireless, PCS, LLC ("New Cingular") filed a complaint in the Tax Court, contesting the Division's October 5, 2011 denial of a Sales and Use Tax refund claim on behalf of its customers for tax periods November 1, 2005 through September 30, 2010. The Division denied New Cingular's claim for refund on the grounds that a portion of its claim is barred by the statute of limitations and that New Cingular had not demonstrated that it refunded the applicable Sales and Use Tax to its customers before filing its claim with the Division, as required by statute. Furthermore, the State does not permit a refund claim on behalf of a class. In an opinion dated February 21, 2014, the Tax Court ruled that New Cingular could claim a refund. The court remanded the matter to the Division for review of New Cingular's substantive claim on or before February 1, 2015. The State is vigorously defending this matter.

DeVry Educational Development Corporation v. Director, Division of Taxation. On February 23, 2012, DeVry Educational Development Corporation ("DeVry") filed a complaint in the Tax Court of New Jersey, contesting the Division's November 22, 2011, Final Determination. The Division concluded that DeVry is subject to CBT commencing July 1, 2002 and is required to file returns. DeVry alleges that it is not subject to tax, and alternatively, if it is subject, that the repealed Throw Out Rule is unconstitutional, on its face and as applied. The Division filed an Answer to Complaint on June 6, 2012. Discovery is ongoing. The State intends to vigorously defend this matter.

Frank Greek and Son, Inc. v. Verizon New Jersey, Inc. et al. Plaintiff Frank Greek and Son, Inc. (the "Plaintiff"), filed a nominal class action lawsuit against Verizon, alleging that: (1) Verizon overcharged customers by charging "custopak" customers for the New Jersey enhanced 9-1-1 fee ("E911 Fee") on six telephone lines even if those customers actually contracted for less than six lines; and (2) Verizon overcharged customers generally for various other fees and services and therefore violated the New Jersey Consumer Fraud Act. Verizon denies that it improperly charged the E911 Fee and other charges, and it filed a third-party complaint against the Division. Verizon claims that all E911 Fees it collected were remitted to the Division and that Division should refund allegedly overpaid E911 Fees of approximately $30 million to a third-party class action trust fund administrator. The Division objects to this approach because the E911 Fee statute (*N.J.S.A.* 52:17C-18(c)), incorporates the State Uniform Tax Procedure Law (*N.J.S.A.* 54:48-1 *et seq.*) which expressly prohibits refund claims on behalf of a class. The State intends to vigorously defend this matter.

In re Failure of Council on Affordable Housing to Adopt Trust Fund Commitment Regulations. On July 2, 2012, Fair Share Housing Center ("FSHC") sought and received permission to file an emergent motion with the Superior Court, Appellate Division to obtain an immediate preliminary injunction, and subsequently upon briefing and argument, a permanent injunction against the Council on Affordable Housing ("COAH") from requiring municipalities to transfer balances in their municipal affordable housing trust funds uncommitted within four years from the date of collection to the "New Jersey Affordable Housing Trust Fund" (the "AH Trust Fund"), established pursuant to section 20 of L.1985, c.222 (C.52:27D-320), as amended by L.2008, c.46 (C.52:27D-329.1 et al.), until COAH adopts regulations that define what constitutes a "commitment" by the municipality to spend such monies. Pursuant to the Fiscal Year 2013 Appropriations Act, an amount not to exceed $200 million of monies received in the AH Trust Fund shall be deposited in the State General Fund as State revenue. Amounts appropriated in the Fiscal Year 2013 Appropriations Act for the provision of programs for affordable housing for households and individuals with low and moderate incomes shall be credited against such funds deposited into the State General Fund from the AH Trust Fund. The Appellate Division denied the request for restraint. While denying injunctive relief, the Appellate Division noted that it expected the State to provide affected municipalities with adequate notice and an opportunity to contest a transfer of municipal affordable housing trust funds. On August 10, 2012, in a separate, distinct matter, in response to FSHC's motion to enforce litigant's rights, the Appellate Division issued an order enjoining the transfer or request for transfer of uncommitted municipal affordable housing trust funds until COAH meets and authorizes the transfer or request for transfer of such funds. Subsequently, the Appellate Division granted motions by the League of Municipalities and several towns to intervene. On May 1, 2013, COAH adopted a resolution authorizing COAH staff to send out updated letters requiring municipalities to submit by May 22, 2013 their reasons as to why they disagreed with COAH staff's determination of how much of the municipalities affordable housing trust fund is uncommitted. COAH also approved the Appellate Division's definition of "uncommitted". The total amount of "uncommitted" in the updated letters sent out by COAH is approximately $165 million. On May 10, 2013, FHSC filed an emergent application for a stay of the implementation of COAH's May 1, 2013 resolution. On May 13, 2013, the Appellate Division issued an order granting FSHC's emergent application for a stay and set forth a briefing schedule. On May 20, 2013, the State sought interlocutory relief from the Supreme Court from the Appellate Division's May 13, 2013 order. On May 28, 2013, the New Jersey Supreme Court partially vacated the stay, permitting COAH to gather and evaluate municipalities' submissions. On June 7, 2013, the Appellate Division vacated the remainder of the stay entered on May 13, 2013, subject to the following conditions: (1) the letters sent by COAH dated May 1, 2013 to the municipalities are vacated: (2) municipalities affected by COAH's letter have 30 days to respond to COAH; (3) COAH shall provide 15 days notice of its board meeting to the municipalities prior to allowing the seizure of any funds; (4) any affected municipality may then appeal COAH's action to seize any funds, to the Appellate Division. On June 28, 2013 COAH sent out updated letters consistent with the Appellate Division's order. COAH is analyzing responses received from the affected municipalities. The State is vigorously defending this matter.

Hammerman & Gainer, Inc. v. State of New Jersey. Hammerman & Gainer, Inc. ("HGI") was engaged to assist DCA with the administration of the Superstorm Sandy Housing Incentive Program ("SSHIP"), which was designed to serve as the intake and administration function for the State's other recovery programs available to homeowners affected by Superstorm Sandy. This involved the development and operation of an information technology system, application intake process and eligibility determinations for various Superstorm Sandy programs. On May 8, 2013, HGI was awarded a three-year contract by the Division of Purchase and Property on behalf of the Department of Community Affairs. The contract was terminated by mutual agreement effective January 20, 2014. During the term of the contract, the State made payments to HGI subject to the State's right to reconcile HGI's invoices and make appropriate adjustments. After its review, the State determined that HGI overbilled the State and that the State was entitled to various set-offs as a result of HGI's failure to perform certain obligations expressly provided for in the contract and inadequate performance of others. On February 7, 2014, HGI submitted a demand for arbitration to the American Arbitration Association. On April 15, 2014, HGI submitted an amended demand. The State submitted an answer on May 9, 2014. The State reserved the right to assert a counterclaim but has not yet done so. The State is vigorously defending this matter.

In Re Challenge of Contract Award Solicitation #13-X-22694. On April 12, 2013, the Division of Purchase and Property in the Department of the Treasury ("DPP") issued a Notice of Intent to Award the Lottery Growth Management Services Contract to Northstar NJ, a joint venture between GTech Corporation, Scientific Games International, Inc. and OMERS Administration Corporation. On April 17, 2013, Communication Workers of America ("CWA") filed a protest of the notice of intent to award the contract. The Director of DPP denied the protest and proceeded to award the contract. CWA filed an appeal on June 4, 2013 and sought an emergent stay of the contract closing alleging that the State did not have the authority to contract with a vendor for the Lottery Growth Management Services. After being fully briefed by the parties, on June 11, 2013, the Appellate Division denied CWA's application for stay, accelerated the appeal, and allowed the State to proceed with the award of the contract. At contract close on June 20, 2013, Northstar NJ paid the State of New Jersey, Division of Lottery $120,000,000 as an accelerated guarantee payment ("AGP") and began a formal transition period prior to beginning to provide the contracted services. On October 1, 2013, Northstar NJ began providing the contracted services for the 15 year and 9 month contract term. On July 3, 2014, the Appellate Division rejected CWA's appeal and affirmed the Director of DPP's decision. CWA did not file a petition for certification with the New Jersey Supreme Court.

Escobar v. DYFS et al. On July 17, 2009, Plaintiff's child was allegedly shaken by his biological father. As a result, the child is severely disabled and requires life care by professionals. The biological father is currently incarcerated for aggravated assault. The Division of Youth and Family Services ("DYFS") (now known as the Division of Child Protection and Permanency in the Department of Children and Families) allegedly had knowledge that the biological father had a history of drug use, domestic violence, mental health disorders and other issues. DYFS also was allegedly aware that the child showed prior evidence of abuse. Plaintiff alleges that DYFS failed to adequately investigate the reports of alleged abuse. After the completion of the Trial, the jury awarded the Plaintiff $166 million, of which approximately $57 million was for pain and suffering, approximately $4 million was for the child's past medical needs and $105 million is to cover the child's future medical needs. The State filed a motion for a new trial and, in the alternative, for remitter on the awards for pain and suffering and the child's future medical needs. On March 19, 2014, the court ruled on the motion for remitter, reducing the award against the State to $102,630,618 by reducing the amount allocated for future medical needs from $105,000,000 to $75,868,321 based on the assumption of the child's life expectancy of 79 years and by allocating 25% liability to the biological father. On April 1, 2014, the court entered a final order judgment in the case. On April 22, 2014, the State filed a notice of appeal. The matter is currently scheduled to be mediated during the fall of 2014. The State is vigorously defending this matter.

Medicaid, Tort, Contract, Workers' Compensation and Other Claims. The Office of the Inspector General of the U.S. Department of Health & Human Services ("OIG") has conducted and continues to conduct various audits of Medicaid claims for different programs administered by the State's Department of Human Services ("DHS"). The OIG audits, which have primarily focused on claim documentation and cost allocation methodologies, recommend that certain claims submitted by DHS be disallowed. OIG submits its recommendations on disallowances to the Centers for Medicare and Medicaid Services ("CMS") which may, in whole or in part, accept or disagree with the OIG's recommendations. If the OIG's recommendations are not challenged by the State or are upheld by CMS, DHS will be required to refund the amount of any disallowances. However, DHS is disputing OIG's audit findings. In addition, the State has currently reserved certain revenues that would mitigate, but not completely offset, the State's exposure assuming CMS upholds the OIG's recommended claim disallowances. Given that the State is currently disputing and appealing the OIG audit findings, it cannot estimate any final refund amounts or the timing of any refund payments that may be due to CMS. These current audits and any future audits of Medicaid claims submitted by DHS may result in claim disallowances which may be significant. The State is unable to estimate its exposure for these claim disallowances. See "FINANCIAL RESULTS AND ESTIMATES—Appropriations—*Appropriations of Federal Aid*" for additional discussion of currently pending audits.

At any given time, there are various numbers of claims and cases pending against the State, State agencies and employees, seeking recovery of monetary damages that are primarily paid out of the fund created pursuant to the New Jersey Tort Claims Act (*N.J.S.A.* 59:1-1 *et seq.*). The State does not formally estimate its reserve representing potential exposure for these claims and cases. The State is unable to estimate its exposure for these claims and cases.

The State routinely receives notices of claim seeking substantial sums of money. The majority of those claims have historically proven to be of substantially less value than the amount originally claimed. Under the New Jersey Tort Claims Act, any tort litigation against the State must be preceded by a notice of claim, which affords the State the opportunity for a six-month investigation prior to the filing of any suit against it.

In addition, at any given time, there are various numbers of contract and other claims against the State and State agencies, including environmental claims asserted against the State, among other parties, arising from the alleged disposal of hazardous waste. Claimants in such matters are seeking recovery of monetary damages or other relief which, if granted, would require the expenditure of funds. The State is unable to estimate its exposure for these claims.

At any given time, there are various numbers of claims by employees against the State and State agencies seeking recovery for workers' compensation claims that are primarily paid out of the fund created pursuant to the New Jersey Workers' Compensation Law (*N.J.S.A.* 35:15-1 *et seq.*). Claimants in such matters are seeking recovery for personal injuries suffered by a claimant by accident arising out of and in the course of the claimant's employment due to the employer's negligence. The State is unable to estimate its exposure for these claims.

Prior to July 1, 2013, there were various numbers of claims and cases pending against the University of Medicine and Dentistry of New Jersey ("UMDNJ") and its employees, seeking recovery of monetary damages that were primarily paid out of the UMDNJ Self Insurance Reserve Fund created pursuant to the New Jersey Tort Claims Act (*N.J.S.A.* 59:1-1 *et seq.*). An independent study estimated an aggregate potential exposure of $148,897,000 for tort and medical malpractice claims for UMDNJ pending as of December 31, 2012. As a result of the enactment of the New Jersey Medical and Health Sciences Education Restructuring Act, *L.* 2012, *c*. 45 (the "Restructuring Act"), all of UMDNJ has been transferred to Rutgers, The State University ("Rutgers"), with the exception of the School of Osteopathic Medicine which has been transferred to Rowan University ("Rowan"), and University Hospital in Newark, New Jersey now exists as a separate instrumentality of the State. All claims and liabilities of UMDNJ associated with the transferred facilities have been transferred to Rutgers, Rowan and University Hospital, as applicable. Pursuant to the Restructuring Act, Rutgers and Rowan each entered into a memorandum of understanding with the State Treasurer pursuant to which the State shall pay from a self-insurance reserve fund established for each entity medical malpractice claims occurring prior to and post the effective date of the transfers, which was July 1, 2013. The Restructuring Act also provides for University Hospital's medical malpractice claims to be covered by a self-insurance reserve fund established by the State Treasurer and University Hospital entered into a memorandum of understanding with the State Treasurer for such claims. All claims, other than medical malpractice claims, incurred by UMDNJ with respect to the UMDNJ facilities transferred to Rutgers will be paid for by Rutgers out of its own funds. All claims, other than medical malpractice claims, incurred by Rowan will be paid from the Tort Claims Fund. The State is unable to estimate its exposure for these claims.

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APPENDIX-I-A

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The State of New Jersey issues annually a Comprehensive Annual Financial Report ("CAFR") which includes the general purpose financial statements, the combining financial statements and supplemental schedules reported upon by the State Auditor, as well as, introductory and statistical sections.

The CAFR for the Fiscal Year ended June 30, 2013 has been separately filed with the MSRB and is incorporated by specific reference in this Appendix I and is considered to be a part hereof.

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APPENDIX-I-B
DEMOGRAPHIC AND ECONOMIC INFORMATION

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TABLE I

STATE OF NEW JERSEY
THIRTY LARGEST
NON-GOVERNMENTAL EMPLOYERS
2014

Company	New Jersey Employees
Wakefern Food Corp.	40,000
Wal-Mart Stores, Inc.	18,593
Verizon Communications	15,100
UPS	15,000
Johnson & Johnson	14,500
United Continental Holdings	13,600
The Great Atlantic & Pacific Tea Co. (A&P)	12,373
The Home Depot	12,100
Caesar's Entertainment	11,804
Bank of America	11,000
AT&T, Inc.	9,169
PSEG	8,944
Wawa, Inc.	8,609
The Stop & Shop Supermarket Co.	8,567
Target Corporation	8,467
CVS Caremark	8,400
Prudential Financial, Inc.	8,293
TD Bank	8,120
FedEx	8,076
Merck & Company, Inc.	8,000
Macy's	7,400
Lowe's Companies Inc.	6,528
Bristol-Myers Squibb Company	6,100
Bed Bath & Beyond	6,000
Wells Fargo	6,000
Borgata Hotel Casino & Spa	5,824
JP Morgan Chase & Company	5,800
Aramark	5,677
Novartis Pharmaceuticals Corporation	5,529
Bayada Home Health Care	5,236

Source: New Jersey Business Magazine, August 2014

TABLE II

POPULATION CHANGES

	Population (Thousands)			Population Per Square Mile 2010	Annual Rate of Growth (Percent)		
	Census 1990	Census 2000	Census 2010		1980 to 1990	1990 to 2000	2000 to 2010
United States	248,710	281,422	308,746	87	0.94	1.24	0.93
Northeast	50,809	53,595	55,290	342	0.34	0.54	0.31
New England	13,207	13,923	14,445	230	0.67	0.53	0.37
Middle Atlantic	37,602	39,672	40,872	412	0.22	0.54	0.30
New York	17,990	18,977	19,378	411	0.24	0.54	0.21
New Jersey	7,730	8,414	8,792	1,196	0.49	0.85	0.44
Pennsylvania	11,882	12,281	12,702	284	0.01	0.33	0.34

Source: U.S. Census Bureau, 2010 Census Release, February 2011.

TABLE III

TOTAL PERSONAL INCOME
NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES
2003 - 2013
(Dollars in Millions)

	Total Personal Income			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2003	354,631	709,209	409,423	9,479,611
2004	372,296	752,725	430,409	10,043,284
2005	387,477	794,061	447,274	10,605,645
2006	416,610	856,087	476,824	11,376,460
2007	439,410	923,968	501,591	11,990,244
2008	451,504	945,342	519,542	12,429,284
2009	440,429	924,453	514,678	12,073,738
2010	449,059	960,826	529,807	12,423,332
2011	471,187	1,012,405	558,345	13,179,561
2012	487,437	1,041,930	575,424	13,729,063
2013	498,298	1,062,390	586,654	14,081,242

	Total Personal Income As A Percent of 2000 Base			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2000	100.0	100.0	100.0	100.0
2001	105.0	105.2	104.7	105.0
2002	106.4	105.0	107.2	106.9
2003	108.8	107.8	110.7	110.8
2004	114.2	114.4	116.4	117.4
2005	118.9	120.7	120.9	124.0
2006	127.8	130.1	128.9	133.0
2007	134.8	140.4	135.6	140.2
2008	138.5	143.7	140.4	145.3
2009	135.1	140.5	139.1	141.1
2010	137.8	146.0	143.2	145.2
2011	144.5	153.9	150.9	154.1
2012	149.5	158.4	155.6	160.5
2013	152.9	161.5	158.6	164.6

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of March, 2014.
Note: Historical numbers may differ from prior reports because of the July 2013 Comprehensive Revision of National Income and Product Amounts.

TABLE IV

2013 PER CAPITA PERSONAL INCOME FOR NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES

	2012 Amount	2013 Amount	2012 Percent of National Average	Rank United States	Percent Change 2012 - 2013
United States	43,735	44,543	100.0%	—	1.8%
New Jersey	54,987	55,993	125.7	5	1.8
New York	53,241	54,063	121.4	7	1.5
Pennsylvania	45,083	45,926	103.1	19	1.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of March, 2014
Definition: Per capita personal income is total personal income divided by total midyear population.
Note: Historical numbers may differ from prior reports because of the July 2013 Comprehensive Revision of National Income and Product Amounts.

TABLE V

PER CAPITA PERSONAL INCOME NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES 2003 - 2013

	Per Capita Personal Income			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2003	41,229	36,984	33,086	32,676
2004	43,117	39,263	34,680	34,300
2005	44,785	41,503	35,926	35,888
2006	48,098	44,810	38,113	38,127
2007	50,636	48,294	39,923	39,804
2008	51,831	49,205	41,193	40,873
2009	50,303	47,882	40,632	39,357
2010	51,010	49,529	41,680	40,163
2011	53,333	51,914	43,813	42,298
2012	54,987	53,241	45,083	43,735
2013	55,993	54,063	45,926	44,543

	Per Capita Personal Income As A Percent of United States			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2003	126.2	113.2	101.3	100.0
2004	125.7	114.5	101.1	100.0
2005	124.8	115.6	100.1	100.0
2006	126.2	117.5	100.0	100.0
2007	127.2	121.3	100.3	100.0
2008	126.8	120.4	100.8	100.0
2009	127.8	121.7	103.2	100.0
2010	127.0	123.3	103.8	100.0
2011	126.1	122.7	103.6	100.0
2012	125.7	121.7	103.1	100.0
2013	125.7	121.4	103.1	100.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of March, 2014 .
Note: Historical numbers may differ from prior reports because of the July 2013 Comprehensive Revision of the National Income and Product Amounts.

TABLE VI

WAGE AND SALARY WORKERS IN NONAGRICULTURAL ESTABLISHMENTS ANNUAL AVERAGES BY NAICS INDUSTRY DIVISIONS, NEW JERSEY, 2003-2013 (In thousands)

Year	Total Non-farm Employment	Manufacturing	Natural Resources & Mining	Construction	Trade, Transportation & Utilities	Information	Financial Activities	Services and Miscellaneous*	Government
2003	3,976.9	350.5	1.6	160.5	874.7	102.0	276.2	1,589.6	622.0
2004	3,998.0	338.3	1.6	165.8	873.9	98.0	276.9	1,610.0	633.5
2005	4,038.1	330.5	1.7	169.1	877.0	97.1	279.6	1,641.5	641.6
2006	4,069.4	323.7	1.7	174.9	874.1	97.5	279.3	1,671.2	647.2
2007	4,076.6	311.3	1.7	172.4	872.7	96.0	275.7	1,698.8	647.9
2008	4,048.9	298.9	1.6	164.4	860.2	91.2	270.4	1,712.8	649.3
2009	3,893.6	266.3	1.5	138.6	817.3	84.3	255.6	1,677.8	652.2
2010	3,848.2	257.1	1.4	129.5	808.4	79.3	251.5	1,681.5	639.6
2011	3,846.7	251.5	1.3	129.9	814.6	76.6	249.5	1,704.6	618.7
2012	3,895.8	245.4	1.3	130.4	822.7	77.5	249.0	1,749.4	620.2
2013	3,957.4	248.2	1.2	134.0	835.1	75.1	250.7	1785.5	627.7

* Includes Professional and Business Services, Educational and Health Services, Leisure and Hospitality and Other Services

Source: U.S. Department of Labor, Bureau of Labor Statistics
2013 seasonally adjusted data as of December 2013 issued March 2014.

TABLE VII

AVERAGE ANNUAL UNEMPLOYMENT RATES NEW JERSEY AND UNITED STATES 2003-2013

Calendar Years	New Jersey	United States
2003	5.9%	6.0%
2004	4.9%	5.5%
2005	4.5%	5.1%
2006	4.7%	4.6%
2007	4.3%	4.6%
2008	5.5%	5.8%
2009	9.0%	9.3%
2010	9.6%	9.6%
2011	9.3%	8.9%
2012	9.3%	8.1%
2013	7.2%	7.4%

Source: U.S. Department of Labor, Bureau of Labor Statistics, Data Base & Tables, Unemployment.
2013 seasonally adjusted data as of December 2013 issued March 2014.

TABLE VIII

AVERAGE HOURLY WAGES (NAICS)
PRODUCTION WORKERS ON MANUFACTURING PAYROLLS
NEW JERSEY AND SELECTED NEIGHBORING STATES
2003-2013

Calendar Years	New Jersey	New York	Pennsylvania
2003	15.45	16.78	14.99
2004	15.89	17.29	15.16
2005	16.33	17.77	15.26
2006	16.56	18.29	15.38
2007	17.22	18.49	15.48
2008	17.89	18.58	15.61
2009	18.31	18.54	16.28
2010	18.80	18.39	16.88
2011	19.03	18.46	17.49
2012	19.50	18.61	18.26
2013	19.19	19.45	19.31

Source: U.S. Department of Labor, Bureau of Labor Statistics, Occupational and Employment Statistics
2013 data are preliminary from Table D-4, not seasonally adjusted.

TABLE IX

NEW VEHICLE SALES
NEW JERSEY
2003-2013

	Total Vehicles		
Calendar Years	Annual	Monthly Average	% change
2003	627,499	52,292	
2004	640,787	53,399	2.1%
2005	624,000	52,000	-2.6%
2006	621,298	51,775	-0.4%
2007*	591,694	49,308	-4.8%
2008	499,554	41,630	-15.6%
2009	399,852	33,321	-20.0%
2010	420,014	35,001	5.0%
2011	458,042	38,170	9.1%
2012	498,054	41,505	8.7%
2013	544,965	45,414	9.4%

* Data for September and October 2007 are derived from R.L. Polk's New Vehicle Registrations

Source: N.J. Department of Transportation, Motor Vehicle Commission

TABLE X

NAICS COMPOSITION OF NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT NEW JERSEY AND THE UNITED STATES: 2013

	New Jersey		United States	
	No. of Jobs(000)	% of Total	US Jobs(mil.)	% of Total
Total Nonfarm	3,957.4	100.0%	136.4	100.0%
Manufacturing	248.2	6.3	12.0	8.8
Natural Resources & Mining	1.2	0.0	0.9	0.6
Construction	134.0	3.4	5.8	4.3
Trade, Transportation and Utilities	835.1	21.1	25.9	19.0
Information	75.1	1.9	2.7	2.0
Financial Activities	250.7	6.3	7.9	5.8
Services	1785.5	45.1	59.3	43.5
Government	627.7	15.9	21.9	16.0

Note: Percent of Total Column may not add to 100% due to rounding. Services include Professional and Business, Educational and Health, Leisure and Hospitality.

Source: U.S. Department of Labor, Bureau of Labor Statistics
Seasonally adjusted 2013 data based on 2013 revised benchmark.

TABLE XI

DOLLAR AMOUNT OF ANNUAL NONRESIDENTIAL CONSTRUCTION AUTHORIZED BY BUILDING PERMITS, 2005 TO 2013

Calendar Year	Estimated Nonresidential Costs ($M)	% Change
2005	6,270.3	
2006	7,354.2	17.3%
2007	7,308.8	-0.6%
2008	8,029.2	9.9%
2009	5,010.9	-37.6%
2010	4,889.4	-2.4%
2011	6,107.5	24.9%
2012	5,592.0	-8.4%
2013	6,130.9	9.6%

Source: New Jersey Department of Community Affairs Construction Reporter
http://www.state.nj.us/dca/divisions/codes/reporter/building_permits.html#7
2013 data is preliminary.

APPENDIX-I-C
SUMMARY OF PRINCIPAL STATE TAXES

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SUMMARY OF PRINCIPAL STATE TAXES

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Summary of Principal State Taxes

The following is a summary of state taxes in New Jersey:

Alcoholic Beverage Tax

The Alcoholic Beverage Tax applies to the first sale or delivery of beer, liquor and wine to retailers in New Jersey. This tax is collected from licensed manufacturers, wholesalers and State beverage distributors, based on the number of gallons, or fractions thereof, sold. License fees for manufacturing, distributing, transporting and warehousing alcoholic beverages are also imposed pursuant to this law.

Current Rates: Beer — $0.12 per gallon; Beginning August 1, 2009: Liquor — $5.50 per gallon; Wines — $0.875 per gallon; certain apple ciders — $0.15 per gallon. *L.* 2009, c.71.

Beginning Fiscal Year 2010, $22 million collected from the Alcohol Beverage Tax will be annually deposited in the Health Care Subsidy Fund. *L.* 2009, *c.* 71.

Casino Control Tax

The Casino Control Act imposes an 8% tax on the "gross revenues" of gambling casinos, as defined by the Act.

On July 1, 2003, the law was amended to impose a 7.5% fee on the annual adjusted net income of licensed casinos in calendar years 2003-2006. The law was also amended to impose a 4.25% fee on certain complimentary amenities, specifically entertainment, rooms, food and beverages provided at no cost or reduced prices to casino hotel patrons. The amendments also impose a $3 per day occupancy fee on hotel rooms in a casino hotel facility, leaving to the casinos' discretion whether to pay the charge on behalf of the patrons or charge the patrons for the fee. The measure imposes an 8% gross revenue tax on companies that administer and service multi-progressive casino slot machine systems and increases parking fees by $1 for casino hotel parking in Atlantic City as defined by the Act. *L.* 2003, *c.* 116.

As of August 25, 2004, the 4.25% tax imposed on complimentary amenities was phased for elimination as of June 30, 2009. In this regard, the rate shall be as follows: in State fiscal years 2004 through 2006, 4.25%; in State fiscal year 2007, 3.1875%; in State fiscal year 2008, 2.125%; and in State fiscal year 2009, 1.0625%. Furthermore, with respect to each year the tax is to be collected, the State will issue a rebate or assessment, as appropriate, to the casinos if the amount of tax collected is more or less than the following: in State fiscal years 2004 through 2006, $26 million; in State fiscal year 2007, $19.5 million; in State fiscal year 2008, $13 million; and in State fiscal year 2009, $6.5 million. *L.* 2004, *c.* 128.

L. 2013, *c.* 27 amends and supplements the "Casino Control Act" and authorizes Internet gaming at Atlantic City casinos under certain circumstances. The law imposes an annual 15% tax on Internet gaming gross revenues, which shall be paid into the Casino Revenue Fund. The 8% tax on casino gross revenues excludes Internet gaming but, the investment alternative tax does apply to those gross revenues at a rate of 5% with the State requiring a partial payment of 2.5% of the estimated taxes (C. 5:12-144.1).

Cigarette Tax and Tobacco Products Wholesale Tax

The Cigarette Tax is imposed on the sale, use or possession of all cigarettes within New Jersey. This tax is collected from licensed distributors who receive cigarettes directly from out-of-state manufacturers. Receipts from the sale or use of tobacco products, other than cigarettes, by a distributor or wholesaler to a retail dealer or consumer are subject to the Tobacco Products Wholesale Tax. *L.* 1990, *c.* 39. As of March 1, 2002, the Tobacco Products Wholesale Tax is imposed on the price that a distributor pays to buy products from the

manufacturer. *L.* 2001, *c.* 448. As of July 15, 2006, moist snuff is no longer taxed based on its wholesale price but is taxed based on its weight. *L.* 2006, *c.* 37. The weight-based tax will raise the price of moist snuff and reduce youth access.

Current Rates: Cigarette Tax — $0.135 per cigarette and $2.70 per pack; Moist snuff — $0.75 per ounce with a proportionate tax rate for fractional amounts; Tobacco Products Wholesale Tax — 30%. As of March 1, 2002, the tobacco products tax rate was decreased from 48% to 30%. *P.L.* 2001, *c.* 448. As of July 15, 2006, the cigarette tax increased from $2.40 per pack of cigarettes to $2.575 per pack. *L.* 2006, *c.*37. As of July 1, 2009, the cigarette tax increased from $2.575 per pack of cigarettes to $2.70 per pack. *L.* 2009, *c*. 70.

Annually, the sum of $1,000,000.00 from Cigarette Tax revenues is deposited into the Cancer Research Fund. *L.* 1982, *c.* 40. After this deposit, the first $150 million collected annually from the Cigarette Tax and the first $5 million collected annually from the Tobacco Products Wholesale Sales and Use Tax is deposited into the Health Care Subsidy Fund. For fiscal years beginning on or after July 1, 2006, but before July 1, 2009, $215 million collected annually from Cigarette Tax is deposited into the Dedicated Cigarette Tax Revenue Fund. For fiscal years beginning on or after July 1, 2009, $241,500,000.00 of revenue collected from the Cigarette Tax shall be deposited annually into the Dedicated Cigarette Tax Revenue Fund. *L.* 2009, *c.* 70.

Clean Communities and Recycling Grant User Fee (User Fee)

The user fee imposed by the Clean Communities and Recycling Grant Act (*L.* 2002, *c.* 128) is imposed on receipts from non-exempt New Jersey sales of litter-generating products made by manufacturers, wholesalers and distributors at the rate of 3/100 of 1% (.0003), and upon receipts of certain non-exempt sales by retailers at the rate of 2.25/100 of 1% (.000225), effective January 1, 2002. (*L.* 2002, *c.* 128, §§ 4, 14). Retailers subject to the user fee as defined by the Act having less than $500,000 of annual retail sales are exempt from the fee. The user fees, as well as penalties also imposed by the Act and any applicable appropriations, are to be credited to the nonlapsing, revolving Clean Communities Program Fund in the Department of the Treasury. The fund is to be administered by the Department of Environmental Protection. The funds are allocated and to be distributed as provided by the Act in the form of State Aid to qualifying municipalities for specified litter remediation activities, projects and antilittering educational campaigns.

Corporation Business Tax (CBT) (As amended by the Business Tax Reform Act, *L.* 2002, *c*. 40).

The CBT is imposed on every corporation, including S corporations (*L.* 1993, *c.* 173) not expressly exempted by statute, real estate investment trusts (*L.* 1989, *c.* 59), savings institutions, and certain other business entities such as limited liability companies and limited liability partnerships that elect to be treated as corporations for federal income tax purposes. The CBT is imposed on corporations for the privilege of having or exercising their corporate franchises in New Jersey, of deriving receipts from sources or of engaging in contacts within New Jersey, or of doing business, employing or owning capital or property, or maintaining an office, in New Jersey.

Corporations are required to pay a tax that is the greater of the amount resulting from rates applied to corporate net income allocated to New Jersey, or the alternative minimum assessment (AMA). Corporate net income is based on federal taxable income with certain additions, exclusions and modifications. S corporations, professional corporations, investment companies, pass-through entities, and federally qualified cooperatives are exempted from the AMA. The AMA is computed using a formula that uses either allocated gross receipts or allocated gross profits. If a corporation's AMA exceeds its tax computed on entire net income in any one year, the difference is allowed as a credit to reduce the CBT in a future year, but to not less than 50% of the liability otherwise due. The AMA for privilege periods commencing after June 30, 2006 shall be $0.00, except for taxpayers exempt from corporation net income taxation pursuant to 15 *U.S.C.* s.381 *et seq.* (Pub.L.86-272). Many corporations not otherwise subject to the tax based on corporate net income or to the alternative minimum assessment are subject to a minimum tax. A number of tax credits against the CBT are provided, such as for investment in certain new or expanded business facilities which create new jobs in New Jersey. *L.* 1993, *c.* 70.

To determine the tax liability of a corporation's business activity in the State of New Jersey, a three-fraction apportionment formula is used. The three-fraction formula determines the proportion of income subject to tax by measuring the activities of the corporation in the State to the total activity of the corporation. The apportionment formula consists of a double-weighted sales fraction, a property fraction, and a payroll fraction. Some of a corporation's income derived from other states is not taxed by those states. As a result, the apportionment formula omits these sales from the denominator of the sales fraction, which increases the sales fraction. The "throw out" of these sales increases the portion of entire net income of a corporation apportioned to New Jersey. For privilege periods beginning on or after July 1, 2010, *L.* 2008, *c.* 120 eliminates the throw-out provision in the apportionment formula. *L.* 2011, *c*. 59 changes the three-fraction apportionment formula to a single sales fraction. The change in the apportionment method will be phased in over three years as follows: the sales fraction will account for 70% of the three-fraction formula for the 2012 privilege period, 90% for the 2013 privilege period, and 100% for the 2014 privilege period. For the 2012 and 2013 privilege periods, the property and payroll fractions evenly account for the remainder of the formula. The law also provides for a specialized sales fraction formula for airlines calculated as a ratio of airline revenue miles in this State divided by the airline's total revenue miles. *L.* 2011, *c*. 59. Taxpayers who allocate less than 100% of income to New Jersey are no longer required to show that a regular place of business exists outside of this State. *L.* 2008, *c*. 120. For privilege periods ending on or after July 1, 2014, a taxpayer's operational income is allocable income derived from tangible or intangible property if the acquisition, management, or disposition of the property, are integral parts of the taxpayer's regular trade or business operations. *L.* 2014, *c.* 13.

For privilege periods beginning on or after January 1, 2001 and ending before January 1, 2002, a domestic or foreign limited liability company or a domestic or foreign limited partnership classified as a partnership for federal purposes, may obtain the consent of each of its corporate owners allowing New Jersey to tax the corporate owners' income derived from the activities of the limited liability company or limited partnership in New Jersey. For each non-consenting owner, the limited liability company or limited partnership must pay a corporation business tax on each of the non-consenting owner's share of the business' New Jersey income. Certain limited liability companies and limited partnerships are exempt, as are corporate owners already exempt under the CBT itself and non-corporate owners subject to the New Jersey Gross Income Tax. *L.* 2001, *c.* 136.

Current Rates: Prior to July 1, 1996, 9% of entire net income allocable to New Jersey; and beginning July 1, 1996, the rate is 7.5% for taxpayers with entire net income of $100,000 or less (*L.* 1995, *c.* 246). For corporations with entire net income less than $50,000, the rate is 6.5%.

For periods beginning on January 1, 2002, the AMA is computed on corporations with gross profits of more than $1 million, and on corporations with gross receipts of more than $2 million, at differing graduated rates. Corporations may elect which rate to use. The AMA for each period may not exceed $5 million, except for affiliated groups of five or more taxpayers, in which case the AMA is capped at $20 million. The AMA expires for periods beginning after June 30, 2006, except for corporations not subject to the CBT under federal P.L. 86-272.

Beginning January 1, 2002, entities classified as partnerships for federal income tax purposes, including limited liability partnerships and companies (pass-through entities), that have income from New Jersey sources and more than two members, pay an annual $150 per owner filing fee, capped at $250,000 per entity. A filing fee of $150 per licensed professional for professional corporations with more than two licensed professionals, also capped at $250,000 per entity, is also paid. Partnerships make payments on the share of the income of each nonresident partner at a 9% rate for corporate owners and a 6.37% rate for individual owners. *L.* 2002, *c*. 40.

For S corporations, 2% of entire net income allocable to New Jersey if greater than $100,000 for periods ending on or after July 1, 1998 but before July 1, 2001, 1.33% for periods ending on or after July 1, 2001 but before July 1, 2006, and 0.67% for periods ending on or after July 1, 2006 but before July 1, 2007; and 0.5% of entire net income of $100,000 or less for periods ending on or after July 1, 1998 and before July 1, 2001, expiring July 1, 2001. *L.* 1997, *c*. 40. The rates for S corporation income of $100,000 or more expire July 1, 2007. *L.* 2002, *c*. 40.

For investment companies, the rate is 25% of entire net income prior to June 30, 2002, and 40% as of July 1, 2002; and for real estate investment trusts, the rate is 4% of entire net income, but in no case less than $250.

As of July 7, 2006, the minimum tax imposed on corporations for the calendar year 2006 and thereafter, will be based on a corporation's New Jersey gross receipts as follows:

New Jersey Gross Receipts	Minimum Tax
Less than $100,000	$ 500
$100,000 or more but less than $250,000	$ 750
$250,000 or more but less than $500,000	$1,000
$500,000 or more but less than $1,000,000	$1,500
$1,000,000 or more	$2,000

However, for privilege periods 2012 and forward, the minimum tax amounts set forth above are reduced by 25% for S corporations. *L.* 2011, *c.* 84. The minimum tax for members of an affiliated group or a controlled group, as defined by federal tax law with a total payroll of $5 million or more, remains at $2,000 annually. *L.* 2006 *c.* 38.

Effective July 7, 2006, corporations are required to pay a 4% surcharge on Corporate Business tax liability for corporate business tax years ending in State fiscal years 2007, 2008, and 2009. The surcharge is applied after the allowance of any business incentive credits. Such credits are not permitted to be applied against the 4% surcharge but are permitted as a credit toward the prepayment of the tax liability. *L.* 2006 *c.* 38. The 4% surcharge on corporation business tax liability that was originally imposed for corporation tax years ending in State fiscal years 2007, 2008 and 2009 extends through corporation business tax years ending before July 1, 2010. *L.* 2009 *c.* 72

On November 5, 1996, Article VIII, Section II of the New Jersey Constitution was amended to provide that an amount equivalent to 4% of the revenue annually derived from the CBT (or any other law of similar effect) be deposited in a special account for appropriation only for the following purposes and in the following manner: 1) a minimum of 1/2 for funding State costs relating to hazardous discharge remediations; 2) a minimum of 1/3, dedicated until December 31, 2008, for funding loans and grants for underground storage tank upgrades and replacements; and 3) a minimum of 1/6 or $5 million, whichever is less, for funding costs related to water quality monitoring, watershed planning, and nonpoint source water pollution prevention.

Effective June 29, 2004, for privilege periods beginning during the 2004 and 2005 calendar years, "Net Operating Loss" deductions will be allowed to reduce the entire net income subject to corporate business tax to 50% of what it would otherwise be. *L.* 2004, *c.* 47. With respect to privilege periods beginning in the 2006 calendar year, Net Operating Loss deductions return to full deductibility. *L.* 2004, *c.* 47. In addition, under *L.* 2004, *c.* 47, the date on which the amount of the disallowed Net Operating Loss carryover deduction would otherwise expire is extended to a period equal to the period for which application of the Net Operating Loss was disallowed. To encourage businesses to invest in the State of New Jersey, *L.* 2008, *c.* 102 extended the number of years to which a corporation business taxpayer can deduct net operating losses from its taxable income. For privilege periods ending after June 30, 2009, the net operating loss deduction period is extended from seven years to twenty years. Net operating losses for privilege periods ending before June 30, 2009 continue to have a seven-year deduction period. *L.* 2014, *c.* 13 reduces the net operating losses for any privilege period ending after June 30, 2014, and any net operating loss carryover for that privilege period, by the amount excluded from federal taxable income relating to certain debt cancellations.

For privilege periods after December 31, 2004, *L.* 2005, *c.* 127 disallows (*i.e.*, "uncouples") the deduction for certain qualified production activities income, which deduction is allowed for federal income tax purposes under the American Jobs Creation Act of 2004 (Pub. L. 108-377). Specifically, Section 1 of the Act amends C. 54:10A-4 of the CBT Act by modifying the definition of "entire net income" to disallow a deduction for amounts that may be deducted for federal tax purposes pursuant to the federal Internal Revenue Code of 1986, 26 *U.S.C.* 199. This exclusion shall not apply to amounts deducted pursuant to federal § 199 that are exclusively

based upon domestic production gross receipts of the taxpayer derived solely from any lease, rental, license, sale, exchange, or other disposition of qualifying production property which the taxpayer demonstrates to the satisfaction of the director was manufactured or produced by the taxpayer in whole or in significant part within the United States (but excluding qualified production property that was grown or extracted by the taxpayer). Chapter 127 also defines the statutory term "manufactured or produced" for CBT purposes, which definition limits the term consistent with the other amendments implemented by c. 127 (*L.* 2005, *c.* 127, effective July 6, 2005).

For privilege periods beginning after December 31, 2008 and before January 1, 2011, *L.* 2009, *c.* 72 decouples the corporation business tax from section 1231 of the federal American Recovery and Reinvestment Act of 2009 (ARRA), which added subsection (i) to section 108 of the Internal Revenue Code, allowing businesses that repurchase debt in 2009 and 2010 to defer reporting discharge of indebtedness income as taxable income until 2014 and then to spread this income over the five tax years from 2014 through 2018. By decoupling New Jersey from the new federal subsection (i), New Jersey corporate taxpayers will not be able to defer this income but will be required to continue reporting the income in the year it is earned. However, corporate taxpayers will be able to exclude the income from New Jersey taxable income in future years when it is required to be recognized federally as taxable income under subsection (i), thus it will not be taxed twice under the Corporation Business Tax.

L. 2012, *c.* 35, amends the "Urban Transit Tax Hub Credit Act" to increase the cap on the total amount of tax credits authorized under such Act for eligible businesses making capital investments in the State. The cap is increased from $1.5 billion to $1.75 billion.

L. 2013, *c.* 14, known as the "New Jersey Angel Investor Tax Credit Act," provides tax credits against Corporation Business Taxes and Gross Income Taxes for qualified investments made by high net worth individuals into high-risk start-up ventures. Subject to certain limitations, tax credits equal 10% of a taxpayer's qualifying investment in an emerging technology company, up to a maximum allowed credit of $500,000 per year for each qualifying investment.

Cosmetic Medical Procedures Gross Receipts Tax

L. 2004, *c.* 53 imposes a 6% gross receipts tax on certain cosmetic medical procedures, defined as any medical procedure performed on an individual which is directed at improving the subject's appearance, and which does not meaningfully promote the proper function of the body or prevent or treat illness or disease. The tax must be collected from the subject of the procedure by each person billing for services, property or occupancy associated with the cosmetic medical procedure.

This tax will be reported and paid on a quarterly basis in a manner prescribed by the Director of the Division of Taxation in accordance with regulations to be promulgated. The tax imposed will be governed by the provisions of the State Uniform Tax Procedure Law. *L.* 2004, *c.* 53.

L. 2011, c. 189 phases out the tax over three years. The tax which shall be paid shall be imposed: (1) at the rate of 4% on the gross receipts from a cosmetic medical procedure performed on or after July 1, 2012 but before July 1, 2013, (2) at the rate of 2% on the gross receipts from a cosmetic medical procedure performed on or after July 1, 2013 but before July 1, 2014, and (3) at the rate of 0% on the gross receipts from a cosmetic medical procedure performed on or after July 1, 2014.

Energy Tax Receipts

To preserve certain revenues while transitioning to more competitive markets in energy and telecommunications, the law concerning taxation of gas and electric public utilities, and certain telecommunication companies was amended. The tax laws concerning sales of electricity, natural gas, and energy transportation service, were also amended. Effective January 1, 1998, the Gross Receipts and Franchise Tax

previously collected by electric, gas and telecommunications utilities, was eliminated. *L.* 1997, *c*. 162. In its place, electric, gas, and telecommunications utilities, became subject to the State's Corporation Business Tax and the retail sale of electricity and natural gas, with certain exceptions, became subject to the State's Sales and Use Tax. *P.L.* 1997, *c*. 167.

A portion of the revenues derived from the energy tax receipts are credited to a special dedicated fund known as the "Energy Tax Receipts Property Tax Relief Fund" ("Fund"). The Fund guarantees annual State aid to municipalities. *L.* 1997, *c*. 167.

A Transitional Energy Facility Assessment ("TEFA") to be phased out over five years, is applied on electric and gas utilities. *L.* 1997, *c.* 162. This phase out has been extended through 2011. *L.* 2008, *c.* 32.

This act (*L.* 2008 *c.* 32) will freeze the TEFA unit rate surcharge at calendar year 2008 rates for 2009, 2010, and 2011 and then reduce those surcharges in calendar years 2012 and 2013 by the following percentages:

January 1, 2012	25%
January 1, 2013	50%

After December 31, 2013, the TEFA assessments will be eliminated to comport with the original planned phase-out of the tax as had been proposed in the 1997 energy tax reform law.

L. 2007, *c.* 94 grants a seven (7) year period of exemption from the State's Sales and Use Tax and the TEFA unit rate surcharge to qualified manufacturing facilities producing products meeting certain recycled content standards. However, qualified manufacturing facilities will continue to pay the sales tax and the TEFA surcharge but shall file for quarterly refunds within 30 days of the close of the calendar quarter.

Current Rates: For gas and electric companies: the standard tax rate as determined by the BPU plus 12.5% surtax (5% if gross *receipts do not exceed $50,000).*

For sewerage and water corporations: 5% (2% if gross receipts do not exceed $50,000) plus 7.5% on gross receipts plus 0.625% surtax (.25% if gross receipts do not exceed $50,000) plus 0.9375%.

For other utilities — 5% (2% if gross receipts do not exceed $50,000) plus 0.625% surtax (.25% if gross receipts do not exceed $50,000) plus 0.5%.

Gross Income Tax (GIT)

The GIT is imposed on enumerated categories of gross income of New Jersey resident individuals, estates and trusts. New Jersey source income, except pension and annuity income (*L.* 1989, *c.* 219) or other retirement income, such as income from IRC § 401(k), 403, 414, 457 Plans (*L.* 104, *c.* 95, effective January 1, 1996), of non-resident individuals, estates and trusts, is also subject to GIT. Gambling winnings of non-residents are subject to the GIT as well. *L.* 1993, *c.* 143. Non-residents pay GIT based on a statutory calculation which requires non-residents to compute liability as though they are residents and then prorate liability by the proportion of New Jersey source income to total income. *L.* 1993, *c.* 178. However, the requirement that non-residents must compute their tax liability on a prorated basis may be suspended provided New York State eliminates a similar requirement for its non-resident personal income taxpayers. *L.* 1993, *c.* 320.

The GIT includes many of the same taxable additions as the federal income tax, but allows only certain deductions such as for personal exemptions, medical expenses, alimony payments, property taxes on principal residences and qualified contributions of certain real property interests. Gross income does not include employer-provided commuter transportation benefits for employees who participate in ride-sharing programs; beginning in 1993, $720 of such benefits is excludible from income (*L.* 1993, *c.* 108) and beginning January 1, 1997, $1,000 is deductible, with this amount annually adjusted based on relevant C.P.I.'s. *L.* 1996, *c.* 121. Gross income also

does not include earnings on or distributions from an individual trust account or savings account established pursuant to the New Jersey Educational Savings Trust Program (*L.* 1997, *c.* 237); or contributions to or distributions from a medical savings account excluded from federal gross income under 26 *U.S.C.* § 220 (*L.* 1997, *c.* 414). Roth IRA's also receive favorable tax treatment. *L.* 1998, *c.* 57. Additionally, under the "New Jersey Limited Liability Company Act," for State tax purposes, members or assignees of members of the newly created limited liability companies are treated as partners in a partnership and single member limited liability companies are treated as sole proprietorships, unless treated otherwise for federal income tax purposes. *L.* 1993, *c.* 210; *L.* 1998, *c.* 79. Beginning January 1, 2001 military pension and survivor benefits respecting service in the United States Armed Forces are included. *L.* 2001, *c.* 84. However, for taxable years beginning on or after January 1, 2004, *L.* 2005, *c.* 63 excludes from taxable income housing and subsistence allowances received by New Jersey National Guard members on State Active duty, and by members of the U.S. Armed Forces' active and reserve components (effective April 7, 2005).

For taxable periods commencing during 1996, resident taxpayers are allowed to take deductions against gross income tax pursuant to the "Property Tax Deduction Act." *L.* 1996, *c.* 60. Among the key provisions of *L.* 1996, *c.* 60 are the graduated deductions allowed over a three-year period to a maximum of $10,000 per year thereafter. Specifically, the allowable 1996 deductions are based on 50% of property taxes paid on the resident's homestead, not to exceed $5,000. In 1997, resident taxpayers are allowed deductions based on 75% of property taxes paid, not to exceed $7,500. Married residents filing separately are allowed one-half of the deduction permitted by law on the qualifying homestead. Allowable deductions are subject to certain limitations. The deductions are available in some instances for renters as well. The law also provides for a minimum benefit for certain classes of taxpayers in the form of a $50 credit, which was phased in for 1996 in the amount of $25 and for 1997 in the amount of $37.50. For sales or exchanges of principal residences occurring after May 7, 1997, gains of up to $500,000 on joint returns and $250,000 on single returns may be excluded, subject to certain limitations and qualifications. *L.* 1998, *c.* 3.

The minimum taxable income for gross income tax purposes is amounts in excess of $7,500 for unmarried individuals, estates, trusts, heads of households, surviving spouses and married couples filing joint returns for tax years commencing January 1, 1994. *L.* 1994, *c.* 8. With respect to married persons filing separate returns, the minimum taxable income subject to tax is amounts in excess of $3,750.

L. 2000, *c.* 80 created an Earned Income Tax Credit ("EITC") program in New Jersey. Effective January 1, 2007, an eligible New Jersey resident can claim a credit based upon a percentage of the individual's federal EITC, which is allowed and applied for, under section 32 of the federal Internal Revenue Code of 1986 (26 *U.S.C.* 32). *L.* 2008, *c.* 109. The credit percentages for eligible claimants are as follows: 20% from 2003 through 2007, 22.5% in 2008, 25% for 2009, and 20% for 2010 and thereafter. *L.* 2010, *c.* 27.

L. 2003, *c.* 9, effective January 27, 2003, creates an exemption from New Jersey gross income tax for income of decedent victims of the September 11, 2001 terrorist attacks. The exemption applies to income received in tax years 2000 and 2001. *L.* 2003, *c.* 9 also provides for the refund, without interest, of any income tax paid for the applicable tax years. Further, the measure extends the deadline for filing refund claims for the applicable tax years to four years from the end of the tax year in which the decedent died.

L. 2004, *c.* 55 amends the Gross Income Tax Act by imposing a Gross Income Tax obligation on nonresident individuals, estates, or trusts to report and pay estimated Gross Income Tax on any gain derived from the sale or transfer of real property in the State of New Jersey. Chapter 55 specifies that county recording officers will act as agents of the Director, Division of Taxation, in collecting the estimated gross income tax due at an amount no less than 2% of the consideration stated in the deed for the sale or transfer of property and transmitting those funds, net of the administrative fee, to the Division of Taxation in such form and manner as the Director will determine.

Chapter 55 further requires that no deed for the sale or transfer of real property by a nonresident will be accepted or recorded by the county recording officer without the simultaneous filing of the appropriate forms and

the payment of the tax due or proof of payment. The Act became effective on August 1, 2004. *L.* 2004, *c.* 55. *See also*, summary of *L.* 2004, *c.* 66, amending the Realty Transfer Tax, below.

For tax years 2005 and thereafter, Chapter 139 creates a deduction from the GIT for certain health care providers who practice in or near a Health Enterprise Zone. *L.* 2004, *c.* 139.

For the same taxable periods, *L.* 2005, *c.* 127 disallows (*i.e.*, "uncouples") the deduction for certain qualified production activities income, which deduction is allowed for federal income tax purposes under the American Jobs Creation Act of 2004 (Pub. L. 108-377). Specifically, Section 2 of c. 127 specifies that the deduction of any amounts pursuant to § 199 of the federal Internal Revenue Code of 1986, 26 *U.S.C.* 199, shall be disallowed. However, this disallowance shall not apply to amounts deducted pursuant to section 199 of the federal Internal Revenue Code of 1986 that are exclusively based upon domestic production gross receipts of the taxpayer, or allocable to the taxpayer under that section, which are derived only from any lease, rental, license, sale, exchange, or other disposition of qualifying production property.

The uncoupling required by Chapter 127 will not apply to gross receipts from qualifying production property manufactured or produced by the taxpayer. The uncoupling will apply to the other activities described above and that are set forth under the American Jobs Creation Act of 2004, will apply to qualified production property that was grown or extracted by the taxpayer, (*L.* 2005, *c.* 127, effective July 6, 2005).

Chapter 130 eliminates the GIT pension exclusion and other retirement income exclusion for certain taxpayers. Section 1 of the Act amends C. 54A:6-10 by eliminating the pension exclusion from gross income for taxable years beginning on or after January 1, 2005, unless a taxpayer's gross income does not exceed $100,000. Similarly, Section 2 of the Act amends C. 54A:6-15 to eliminate exclusion of other retirement income for taxable years beginning on or after January 1, 2005, unless a taxpayer's gross income does not exceed $100,000 (*L.* 2005, *c.* 130, effective July 2, 2005).

Effective January 1, 2012, a taxpayer is permitted an alternative business calculation deduction offsetting gains from one type of business with losses from another. *L.* 2011, *c.* 60. Net business-related losses can be carried forward for up to 20 years. The alternative business deduction is limited to four categories of business income as follows: (1) net profits from business; (2) net gains or net income derived from, or in the form of rents, royalties, patents, and copyrights; (3) distributive share of partnership income; and (4) net pro rata share of S corporation income.

Rates: Beginning in 1996 and thereafter, further rate reductions enacted pursuant to *L.* 1995, *c*. 165 will result in cumulative decreases from the 1993 taxable year levels of 30%, 15% and 9% for certain taxable income levels.

The graduated rate effective for tax years commencing January 1, 1996 for married couples filing jointly and certain qualified individual filers is: 1.400% on taxable income not exceeding $20,000; $280.00 plus 1.750% on taxable income in excess of $20,000 but not over $50,000; $805.00 plus 2.450% on taxable income in excess of $50,000 but not over $70,000; $1,295.50 plus 3.500% on taxable income in excess of $70,000 but not over $80,000; $1,645.00 plus 5.525% on taxable income in excess of $80,000 but not over $150,000; and $5,512.50 plus 6.370% on taxable income exceeding $150,000.

The graduated rate effective for tax years commencing January 1, 1996 for qualified individual filers is: 1.400% on taxable income not exceeding $20,000; $280.00 plus 1.750% on taxable income in excess of $20,000 but not over $35,000; $542.50 plus 3.500% on taxable income in excess of $35,000 but not over $40,000; $717.50 plus 5.525% on taxable income in excess of $40,000 but not over $75,000; and $2,651.25 plus 6.370% on taxable income exceeding $75,000.

Beginning in 2004 and thereafter, a new graduated gross income tax rate of 8.97% will be imposed on taxpayers with income over $500,000. *L.* 2004, *c.* 40.

Beginning on January 1, 2009 and before January 1, 2010, a new graduated gross income tax rate of 8% will be imposed on taxpayers with income over $400,000, a new graduated rate of 10.25% will be

imposed on taxpayers with income over $500,000 but not over $1,000,000 and a new graduated rate of 10.75% will be imposed on taxpayers with income over $1,000,000. *L.* 2009, *c.*69.

L. 2009, *c.* 69 also suspends the property tax deduction for taxable years beginning on or after January 1, 2009 for taxpayers who have gross income for that taxable year of more than $250,000 and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual and caps the maximum property tax deduction to $5,000 for taxpayers who have gross income for that taxable year of more than $150,000, but not exceeding $250,000, and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual.

Chapter 69 also provides that New Jersey Lottery winnings from prizes exceeding $10,000 are taxable under the GIT and authorizes the New Jersey State Lottery to withhold a percentage of such winnings for GIT.

Hazardous Substance Transfer Tax and Hazardous Substance Cleanup and Remediation Fees

L. 2004, *c.* 50 ("Chapter 50") changes the tax for transfers of hazardous substances to $0.023 per barrel for petroleum or petroleum products, precious metals, elemental phosphorus, or in certain circumstances, antimony or antimony trioxide sold for use in the manufacture or the purpose of fire retardants. For hazardous substances other than petroleum products, precious metals, elemental phosphorus, or, in certain circumstances, antimony or antimony trioxide sold for use in the manufacture or for the purpose of fire retardants, the tax is 1.53% of the fair market value of the product.

The Chapter 50 is retroactive to January 1, 2004, thus requiring a taxpayer to file an amended tax return on or before the third month following the date of enactment and pay the additional taxes owed on transfers occurring between January 1, 2004, and the date of enactment of this Act.

Chapter 50 also makes permanent a provision (section 1 of *L.* 2002, *c.* 37) scheduled to expire on June 30, 2004. This provision defines the circumstances under which the Department of Environmental Protection may establish or impose fees for Department oversight of hazardous substance cleanups and remediations, which include indirect costs.

Chapter 50 provides that sections 1 and 4 became effective on June 30, 2004. Section 2 pertaining to the tax rate changes, took effect immediately, is retroactive to January 1, 2004, and applies to all transfers of hazardous substances occurring on or after January 1, 2004. Section 3 took effect immediately. *L.* 2004, *c.* 50.

Homestead Property Tax Credit Act

In April 2007, the Legislature enacted the "Homestead Property Tax Credit Act" (the "Act"). The Act amends the current Homestead Property Tax Rebate Act, *P.L.* 1990 *c.* 61 (C. 54:4-8.57), to further reduce the property tax burden on New Jersey homeowners and renters. The Act also permits an electronic funds transfer of any credit allowed under the Act, to the local property tax account of the claimant. Although, in some instances, any homestead benefit applied for under the Act may still be issued as a rebate. *L.* 2007 *c.* 62.

Currently, the credit or rebate is calculated based upon a percentage of the property taxes, not in excess of $10,000, paid by the claimant on the claimant's homestead as follows:

For Resident Taxpayer With 2012 Tax Year Gross Income:	Benefit Calculation
Not over $50,000	Multiply the amount of the 2006 property taxes paid by 10%
Over $50,000 but not over $75,000	Multiply the amount of the 2006 property taxes paid by 6.67%
Over $75,000	Not eligible

Taxpayers who are 65 years or older, or a taxpayer who is allowed to claim a personal deduction as a blind or disabled taxpayer, shall be allowed a homestead credit or rebate calculated based upon a percentage of the property taxes, not in excess of $10,000, paid by the claimant on the claimant's homestead as follows:

For Resident Taxpayer With 2012 Tax Year Gross Income:	Benefit Calculation
Not over $100,000	Multiply the amount of the 2006 property taxes paid by 10%
Over $100,000 but not over $150,000	Multiply the amount of the 2006 property taxes paid by 5%
Over $150,000	Not eligible

Eligibility for payment of homestead benefits is subject to change by the State budget.

Homestead Property Tax Reimbursement

The Homestead Property Tax Reimbursement ("PTR") program is a program designed to alleviate the property tax burden for eligible claimants who are over 65 years old or are disabled persons. The PTR is calculated based upon the difference between an eligible claimant's base year (the first year the claimant is deemed eligible to participate in the program), and the property taxes assessed and paid in the year of the PTR being sought. However, to receive a PTR, the property taxes assessed and paid must be greater than the eligible claimant's base year. Eligibility for payment of PTRs is subject to change by the State budget.

For fiscal year 2015, only applicants whose income for the 2012 tax year did not exceed $82,880 and whose income for the 2013 tax year did not exceed $70,000 are eligible to receive a 2013 PTR provided they met all the other program requirements. Residents whose 2013 income was over $70,000 but not over $84,289 will not receive PTRs for 2013. However, by filing a 2013 application, these residents can establish their eligibility for benefits in future years.

Hotel and Motel Occupancy Fee

A State hotel and motel occupancy fee is imposed by *L.* 2003, *c.* 114, effective July 1, 2003. The law also authorizes an optional municipal hotel and motel occupancy fee. The amount of the tax will vary year to year. For Fiscal Year 2004, the State imposed a 7% fee. For Fiscal Year 2005 and thereafter, a 5% fee will be imposed.

In addition, the law authorizes an optional tax, which applies to most municipalities, at the rate of 1% for Fiscal Year 2004 and up to 3% for Fiscal Year 2005 and thereafter. Where a municipality imposes the optional tax, any unpaid tax is subject to interest at 5% per annum. *L. 2010, c. 55*. Some municipalities have existing hotel taxes, such as Atlantic City, the Wildwoods, Newark and Jersey City. The combined rates of the new fee imposed under *L. 2003, c. 114*, plus the Sales and Use Tax and any tax and assessment imposed under *L. 1992, c. 165,* section 4 cannot exceed 14% (*L.* 2006, *c*. 44). In municipalities with existing hotel taxes pursuant *L. 1981, c. 77*, the law provides that the State will receive a 1% hotel and motel occupancy fee. *L. 2003, c. 114.*

Effective January 26, 2007, an eligible municipality that establishes a sports and entertainment district, may dedicate by ordinance, the hotel and motel occupancy fees that municipalities are authorized to impose pursuant to *L.* 2003, *c.* 114 (C. 40:48F-1), and may charge an additional 2% fee from hotels within the district, for a period of no more than 30 years. An eligible municipality may dedicate some or all of the fees collected, to the project costs of the sports and entertainment facility. *L.* 2007, *c.* 30.

Insurance Premiums Tax

The Insurance Premiums Tax is imposed on net premiums collected by every stock, mutual and assessment insurance company transacting business in New Jersey for insurance contracts covering property and risks in this

State. Effective January 1, 1992, health service corporations became subject to tax on their experience-rated health insurance. *L.* 1989, *c.* 295. A surtax on all automobile insurance premiums, except as exempted by statute, was imposed from June 1, 1990 through May 31, 1992. *L.* 1990, *c.* 8.

Current Rates: 1.40% on group accident and health or legal insurance policies; 2.1% on life and non-life insurance companies; 5% on surplus lines coverage; 5.25% on marine insurance companies; 2% on foreign fire insurance companies.

Chapter 128 modifies the insurance premiums tax treatment of health service corporations. Specifically Chapter 128 amends the maximum tax rule, which rule caps taxable premiums at 12.5% of total premiums for any company whose taxable premiums in New Jersey exceed 12.5% of its total taxable premiums. The amendment excludes all health service corporations established pursuant to the provisions of *L.* 1985, *c.* 236 (C. 17:48A-1 *et seq.*) from the coverage of the cap. Additionally, the Act imposes the insurance premium tax on all premiums of health services corporations and on any life, accident or health insurance corporation in which a health services corporation owns stock in, controls, or with which it otherwise becomes affiliated (*L.* 2005, *c.* 128, effective July 2, 2005). Effective January 1, 2009, accident and health insurance premiums are excluded from the taxable premiums cap. *L.* 2009, *c.* 75.

For Fiscal Year 2010, $19.5 million is dedicated to the Health Care Subsidy Fund from the revenue collected from accident and health insurance premiums. Also, *L.* 2009, *c.* 75, allows for a one-time transfer of $60 million from the New Jersey Surplus Lines Insurance Guaranty Fund to the Health Care Subsidy Fund but provides a contingency appropriation not to exceed $27 million from the General Fund in the event the New Jersey Surplus Lines Insurance Guaranty Fund is left with insufficient funds to meet its obligations under the law. *L.* 2009, *c.* 75.

L. 2009, *c*. 75 increases the tax on group accident and health insurance premiums from 1.05% to 1.40% for one year. Thus, the tax rate on group accident and health insurance premiums for 2009 is 1.40% and will return to a rate of 1.05% starting in 2010.

Chapter 75 also excludes accident and health insurance premiums from the 12.5% limitation of tax on a company's total premiums when the ratio of New Jersey's business to total business is greater than 12.5%. Moreover, Chapter 75 changes the definition of insurance company to include dental service corporations for purposes of the insurance premiums tax provisions for a period of one year from January 1, 2009 through December 31, 2009. A dental service corporation must file and remit the tax at a rate of 1.40% for the 2009 calendar year on March 1, 2010. *L.* 2009 *c.* 75.

L. 2011 *c.* 25 imposes a new tax rate on captive insurance companies. The annual minimum aggregate tax calculated for both direct premiums and assumed reinsurance premiums to be paid is $7,500 and the annual maximum aggregate tax is $200,000. With respect to direct premiums, captive insurers must pay a tax of .38 of 1% on the first $20 million; .285 of 1% of the next $20 million; .19 of 1% on the next $20 million and .072 of 1% on each dollar thereafter on the direct premiums collected or contracted for on policies or contracts of insurance written by the company during the year ending December 31. Captive insurers may deduct return premiums including dividends on unabsorbed premiums or premium deposits returned or credited to policyholders. No tax is due or payable on considerations received for annuity contracts. With respect to assumed reinsurance premiums, the tax is imposed at the rate of .214 of 1% on the first $20 million of assumed reinsurance premiums; .143 of 1% on the next $20 million; .048 of 1% on the next $20 million and .024 of 1% of each dollar thereafter. The reinsurance premium tax does not apply to premiums for risks or portions of risks, which are subject to taxation on a direct basis. In addition, the reinsurance premium tax does not apply in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer under common ownership and control, when (1) the transaction is part of a plan to discontinue the operations of the other insurer and (2) the intent of the parties to the transaction is to renew or maintain the business with the captive insurance company.

L. 2011, *c.* 119 modifies the tax treatment of surplus lines policies so that the tax payable pursuant to this section shall be based on the total United States premium for the applicable policy when New Jersey is the home state.

Litter Control Fee

As part of the "Clean Communities and Recycling Grant Act," a litter control fee is imposed upon manufacturers, wholesalers, distributers, and retailers, who are engaged in the business of selling litter-generating products in the State.

Rate: 3/100 of 1% (.003) on manufacturers, wholesalers and distributors. 2.25/100 of 1% (.000225) on certain retailers of litter-generating products.

Local Tire Management Program Fee

L. 2004, *c.* 46 took effect on August 1, 2004. Chapter 46 imposes on the purchaser a fee of $1.50 on the sale of a new motor vehicle tire if the sale is subject to tax pursuant to the "Sales and Use Tax Act," *L.* 1966, *c.* 30 (C.54:32B-1). If the purchaser or transferee is exempt under subsections (a) or (b) of section 9 of the Act, no fee is imposed. This fee is also imposed on new motor vehicle tires as a component part of a motor vehicle and motor vehicle tires as a component part of a leased motor vehicle. The Director of the Division of Taxation will have all of the powers and authority granted under the Sales and Use Tax Act in order to carry out the fee provisions of this Act. Also, the fee provisions of this act will be governed by the provisions of the State Uniform Tax Procedure Law, R.S. 54:48-1 *et seq.*

Also, Chapter 46 establishes a Local Tire Management Program in the Department of Environmental Protection for the proper cleanup of abandoned tire piles and to provide grants to counties and municipalities for proper cleanup of abandoned tire piles within their respective jurisdictions. To fund these grants, and for other purposes, Chapter 46 establishes the Tire Management and Cleanup Fund, a nonlapsing fund in the Department of Environmental Protection. After collection costs, the first $2.3 million in fees collected will be deposited in this fund. Additional fee revenues will be available for appropriation to the Department of Transportation to support snow removal operations. *L.* 2004, *c.* 46.

Motor Fuels Tax

The Motor Fuels Tax is a tax imposed upon the sale of motor fuel, liquefied petroleum, and aviation gasoline, for use or consumption in the State. While fuel taxes are imposed upon the ultimate consumer, *L.* 2010, *c.* 22 requires that the tax be pre-collected by the fuel supplier, permissive supplier, importer, exporter, blender, distributor, aviation fuel dealer, and liquefied petroleum gas dealer; *L.* 2010 *c.* 22 changes the point of motor fuel taxation from the retail and distribution system of refineries, pipelines, ships and barges, at a terminal. A reduction in the administrative costs for both taxpayers and tax administrators is expected from changing the point of taxation. *L.* 2010, *c.* 22.

Article VIII, Section 2, Paragraph 4 of the New Jersey Constitution provides for a dedication of revenue from the Motor Fuels Tax to the Transportation Trust Fund Account for improvements to the State Transportation infrastructure. Effectively July 1, 2007, the dedicated funds shall be an amount equivalent to $0.105 per gallon.

Current Rates: Motor Fuel — 10.5 cents per gallon for gasoline and blended fuel that contains gasoline or is intended for use as gasoline; 13.5 cents per gallon for diesel fuel and blended fuel that contains diesel fuel or is intended for use as diesel fuel and kerosene (but does not include aviation grade kerosene). Liquefied Petroleum Gas — 5.25 cents per gallon. Aviation gasoline — 10.5 cents per gallon. In addition to the forgoing, aviation fuel distributed to a general aviation airport is taxed at 2 cents per gallon. *L.* 2010, *c.* 22.

Nursing Home Quality of Care Improvement Fund Act

The "Nursing Home Quality of Care Improvement Fund Act" establishes a non-lapsing fund for enhancement of the quality of nursing home care in New Jersey. Each nursing home provider is to pay a quarterly assessment not to exceed 6% of the aggregate amount of annual statewide nursing home revenues. These assessments will, in turn, be used to attract federal matching funds. *L.* 2003, *c.* 105.

Petroleum Products Gross Receipts Tax

The Petroleum Products Gross Receipts Tax applies to gross receipts from the first sale or use of petroleum products in New Jersey. Exempt sales include home heating oil and propane gas used exclusively for residential heating, certain sales to non-profit or governmental entities, sales to the Federal government (*P.L.* 1991, *c.* 19) and asphalt. The applicability of this tax to the sale of fuel oil used by any utility, co-generation facility or wholesale operation facility to generate electricity was phased out over a period ending December 31, 2004. *L.* 2000, *c.* 156.

In November 2000 Article VIII, Section 4 of the New Jersey Constitution was amended to dedicate to the Transportation Trust Fund Account in the General Fund not less than $100 million for the fiscal year commencing July 1, 2000, and not less than $200 million for each fiscal year thereafter from the petroleum products tax to fund transportation infrastructure improvements.

Current Rate: 2.75%. For fuel oil, aviation fuel and motor fuels, tax is fixed at $0.04 a gallon. *L.* 2000, *c.* 48.

Public Community Water System Tax

The Public Community Water System Tax is imposed on the owner or operator of every public community water system for water delivered after January 1984. *L.* 1983, *c.* 443.

Current Rate: $0.01 per 1,000 gallons of water delivered to consumers.

Realty Transfer Tax

The Realty Transfer Tax is imposed on grantors recording deeds or other writings which transfer title to real property located in New Jersey for consideration greater than $100. Certain transfers of title are exempt from this tax. The Neighborhood Preservation Nonlapsing Revolving Fund is funded by the increase in taxes ($0.75 per $500) collected on transfers greater than $150,000, *L.* 1985, *c.* 222.

Current Rates: Counties collect the tax at a rate of $1.75 for each $500 of consideration up to $150,000 ($0.50 is retained by the county, $1.25 is sent to the State Treasurer) plus $0.75 per $500 of consideration over $150,000. Pursuant to *N.J.S.A.* 46:15-10.1(b), new construction is exempt from 80% of the State portion of the tax imposed by *N.J.S.A.* 46:15-7 (i.e. $1.00), for each $500 of consideration under $150,000. Sales of one and two family, owner-occupied residences owned by senior citizens, blind persons and disabled persons and sales of low and moderate income housing are exempt from the state portion of the tax for each $500 of consideration or fraction thereof (i.e. $1.25). *L.* 2004, *c.* 66.

Pursuant to *N.J.S.A.* 46:15-7.1, a supplemental fee is imposed in addition to the above-recited Realty Transfer Tax upon presentation for filing of deeds evidencing transfers of real property. The supplemental fee will also be collected by the counties. The supplemental fee is $.25 for each $500 of consideration not in excess of $150,000; $.85 for each $500 of consideration in excess of $150,000 but not in excess of $200,000; and $1.40 for each $500 of consideration in excess of $200,000. The law also imposes an additional fee of $1.00 for each $500 consideration, not in excess of $150,000, for transfers of title to property on which there is new construction. The new supplemental fee does not apply to the transfers that are now completely exempt from the current fee and does not apply to the transfers by senior citizens, blind persons, or disabled persons and the transfers of low and moderate income housing. *L.* 2003, *c.* 113.

A new general purpose fee is imposed under *N.J.S.A.* 46:15-7.1 in addition to the above-recited Realty Transfer Tax on grantors upon presentation for filing deeds evidencing transfers of real property whose value is more than $350,000. *L.* 2004, *c.* 66. The general purpose fee will also be collected by the counties. The general purpose fee is $0.90 for each $500 on the first $550,000 of the value recited in the deed of transfer; $1.40 on each $500 of the value between $550,000 and $850,000; $1.90 on each $500 of value between $850,000 and $1,000,000; and $2.15 for each $500 of the value over $1,000,000. *L.* 2004, *c.* 66.

In addition, the grantee (buyer) of real property zoned residential, whether improved or not, for consideration in excess of $1,000,000 is required to pay a separate fee equal to 1% of the full amount of the consideration. The fee imposed by subsection a. of *L.* 2004 *c.* 66 § 8 (C.46:15-7.2) shall not apply to a deed if the transfer of real property is incidental to a corporate merger or acquisition if the equalized assessed value of the real property transferred is less than 20% of the total value of all assets exchanged in the merger or acquisition. *L.* 2006 *c.* 66. Pursuant to Section 9 of *L.* 2004, *c.* 66, the 2004 RTT amendments apply to deeds presented for recording that evidence real property transfers occurring on or after August 1, 2004. Effective February 1, 2005, *L.* 2005, *c.* 19, amended the 1% fee so that it only applies to the purchase of certain types of residentially-zoned property for consideration in excess of $1,000,000, including real property that: (1) is classified for assessment purposes as Class 2 (residential); (2) includes certain property classified for assessment purposes as Class 3A (farm property (regular)) and other real property sold in conjunction with such property; or (3) that is a cooperative unit; or (4) that is classified pursuant to the requirements of *N.J.A.C.* 18:12-2.2 as Class 4A (commercial properties). *L.* 2006 *c.* 66. If a transfer includes property classified pursuant to the requirements of *N.J.A.C.* 18:12-2.2 as Class 4 property or any type, the parties to the transaction shall file affidavits of consideration indicating the consideration, the county and municipality in which the property is situated, and the block and lot description of the real property conveyed.

Chapter 66 of *L.* 2006 did not alter *L.* 2005 *c.* 19, which exempts from the fee any transfer to a 501(c)(3) charitable organization, and permits a full refund to be provided to a buyer who paid the fee but would not have been required to do so under the amended law.

Sales and Use Tax

The Sales and Use Tax is imposed on the receipts from: (a) the retail sale, rental or use of tangible personal property not specifically exempted by statute; (b) the retail sale of services, except for resale, including producing, fabricating, processing, installing, maintaining, repairing, storing and servicing tangible personal property and certain advertising services; (c) sales of food and drink by restaurants and other similar establishments; and (d) the sale, except for resale, of telecommunications. This tax is also imposed on the rental of hotel and motel rooms, and certain admission charges including those for professional wrestling. Effective July 1, 1992, retail sales of alcoholic beverages are also subject to this tax. *L.* 1990, *c.* 40, § 11.

As of October 1, 2006, the scope of the Sales and Use Tax Act is broadened to include "digital property" and some services. Digital property includes delivered music, ringtones, movies, books, audio and video works and similar products where the customer is granted a right or license to use, retain, or make a copy of such an item. *L.* 2006, *c.* 44. *L.* 2011, *c.* 49 deleted the term "digital property" and replaced the term with "specified digital product."

The Sales Tax is also extended as of October 1, 2006, to services, subject to some exemptions, including, but not limited to, furnishing of space for storage; parking, storing or garaging a motor vehicle; tanning services, massage services, tattooing, investigation and security services, information services, limousine services originating within New Jersey; initiation fees, membership fees or dues for access to the use of property or facilities of a health and fitness, athletic, sporting or shopping club or organization. *L.* 2006, *c.* 44.

Exemptions from the Sales and Use Tax include, but are not limited to: prescription medicines and drugs; enumerated medical equipment and supplies; clothing (except fur clothing) and footwear; household paper products; recycling equipment; certain sales of direct mail advertising materials and related printing and production costs; certain sales of materials and supplies for contractors' use in constructing, improving or

rehabilitating housing projects financed by the New Jersey Housing and Mortgage Financing Agency and other government subsidies; sales of telephones, telephone lines, cables, central office equipment or station apparatus or other similar equipment, provided that the sale is made to a service provider subject to the jurisdiction of the Board of Public Utilities or the FCC; coin-paid charges for coin-operated telecommunications devices; and property used directly and primarily on farms. The Sales and Use Tax is reduced by 50% in counties in which there is an entrance to an interstate bridge or tunnel connecting New Jersey with a state which does not impose a sales and use tax or imposes such a tax at a rate at least five percentage points lower than the New Jersey rate. *L.* 1993, *c.* 373.

Qualified businesses engaged in making retail sales in a designated Urban Enterprise Zone ("UEZ") are authorized to collect sales tax equal to 50% of the tax rate in effect, except on sales of alcoholic beverages, cigarettes, motor vehicles, restaurant meals, room rentals, catalog sales, and services. *L.* 1983, *c.* 303; *L.* 1993, *c.* 40. Retail sales of personal property (except motor vehicles and energy) and sales of services (except telecommunications services and utility services) to a qualified business for the exclusive use or consumption of such business within the UEZ are exempt from sales tax. *L.* 2007, *c.* 328. Further, receipts from sales made to contractors or repairmen of materials, supplies, or services, for exclusive use in erecting structures or building on, or otherwise improving, altering, or repairing real property of a qualified business within the UEZ, are also exempt from sales tax.

Effective November 6, 1996, eligible developers under redevelopment agreements, who negotiated with the State may receive reimbursement of 75% of the costs of closure and remediation of municipal solid waste landfills after the sites are redeveloped, from one half the sales tax collected on non-exempt sales generated from businesses located on the sites. *P.L.* 1996, *c.* 124. *L.* 2001, *c.* 332 permits a refund of the tax on the purchase of wastewater effluent and conveyance equipment placed in an exempt use.

On November 3, 1998, Article VIII, Section II of the New Jersey Constitution was amended to dedicate up to $98 million annually from sales tax revenues for open space, farmland and historic preservation commencing on July 1, 1999. In November 2000 this Article and Section was amended to dedicate not less than $80 million from sales tax revenue for the fiscal year commencing July 1, 2001, not less than $140 million for the fiscal year commencing July 1, 2002, and not less than $200 million for each fiscal year thereafter, for credit to the Transportation Trust Fund Account in the General Fund to be used to fund improvements to the State's transportation infrastructure.

Effective July 15, 2006, car rental fees are increased from $2 per day to $5 per day (up to 28 days) for each rental motor vehicle. The rental fee is imposed on each rental company in New Jersey with the first $2 to fund disaster and security related purposes. The remainder of the rental fee is to be used to support the State General Fund. *L.* 2006, *c.* 44

L. 2003, *c.* 136, effective August 1, 2003, exempts from sales tax, receipts from rentals of tangible personal property between related business entities. To qualify for this exemption, the entities must be 80% or more owned by each other or 80% owned by the same third parties. This exemption became operative November 1, 2003.

Effective October 1, 2005, *L.* 2005, *c.* 126 conforms New Jersey's SUT Act to the Streamlined Sales and Use Tax Agreement. These amendments to the SUT Act enable the State to join with 42 other states and the District of Columbia to continue the task of seeking common definitions and uniformly understood tax principles. Key features of the Agreement incorporated in the SUT Act by Chapter 126 include certain uniform definitions and determinations of transactions subject to sales and use taxation, uniform exemptions from tax, rate simplification, various administrative provisions, and an amnesty program for uncollected or unpaid sales and use tax for certain sellers under specified circumstances (Approved July 2, 2005).

As of July 1, 2014, the State's sales tax collection and remittance requirements extend to remote sellers who solicit New Jersey customers through an agreement with an independent contractor, or other representative, who

has a physical presence in the State. The law creates a rebuttable presumption that remote sellers have nexus with the State from those referrals obtained through an Internet website link, or otherwise, and from which the seller derives over $10,000 in annual taxable sales. *L.* 2014, *c.* 13.

Current Rate: 7% (*L.* 2006, *c.*44).

Sanitary Landfill Facility Taxes

The Landfill Closure and Contingency Tax is levied on the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal on or after January 1, 1982. *L.* 1981, *c.* 306.

Current Rate: $0.15/cubic yard for solids or $0.002/gallon for liquids

Savings Institution Tax

This tax is applicable to every savings institution (any state or federally chartered building and loan association, savings and loan association, or savings bank) operating a financial business in New Jersey. The tax is prepaid (80% of the following year's tax) when the current year's tax is due. A tax credit is available to savings institutions that provide employees incentives for participating in ride-sharing programs, *L.* 1993, *c.* 150.

The Savings Institution Tax was repealed by the Business Tax Reform Act, *P.L.* 2002, *c.* 40, § 23, effective July 2, 2002. Notwithstanding the repeal of this tax, any pre-existing liabilities, whether self-assessed or assessed by audit, remain due and collectible. *L.* 2002, *c.* 40, § 24.

Former Rate: 3% of net income; minimum of $50 for associations with assets of less than $1 million and $250 for associations with assets of $1 million or more.

Recycling Tax

This tax is imposed on the owner or operator of every solid waste facility located in New Jersey based on all solid waste accepted for disposal on or after January 1, 1982, *L.* 1981, *c.* 278, and on all solid waste accepted for disposal or transfer on or after July 1, 1987. *L.* 1987, *c.* 102. Proceeds from the tax constitute the State Recycling Fund administered by the Department of Environmental Protection and Energy. A credit against the Corporation Business Tax (CBT) is available for purchase of recycling equipment. *L.* 1987, *c.* 102. The tax and C.B.T. credit provision both expired on December 31, 1996. *L.* 1981, *c.* 278. The Solid Waste Recycling Facility Tax was repealed by the Clean Communities and Recycling Grant Act, *L.* 2002, *c.* 128, § 12, effective December 20, 2002.

Former Rate: $1.50/ton

Effective April 1, 2008, there is levied upon the owner or operator of every solid waste facility a recycling tax on all solid waste accepted for disposal or transfer at the solid waste facility. *L.* 2007, *c.* 314.

Current Rate (2008): $3.00/ton

Spill Compensation and Control Tax

This tax is imposed on the first transfer of hazardous substances (as determined by the Department of Environmental Protection) in New Jersey.

Current Rates: (1) Non-petroleum hazardous substances/products — 1.53% of the fair market value of the product, (2) Petroleum substances/products — $0.023 per barrel, and (3) Precious metals (including elemental phosphorous, or, in certain circumstances, antimony or antimony trioxide sold for use in the manufacture or for the purpose of fire retardants) — $0.023 per barrel. *L.* 2004, *c.* 50.

The tax of qualified taxpayers has been capped at 125% of their 1986 tax liability, and does not apply to facilities entirely closed or decommissioned prior to January 1, 1996, but only those facilities existing at the time of assessment as well as in 1986. *L.* 1997, *c.* 143; *L.* 1999, *c.* 342. As of April 1, 2002, the tax is capped at 100% of the tax paid in 1999 for certain taxpayers; and the tax rates for certain transfers of elemental antimony or antimony trioxide were changed. *L.* 2001, *c.* 424.

Sports and Entertainment District Urban Revitalization Taxes

Pursuant to the Sports and Entertainment District Urban Revitalization Act, effective January 26, 2007, an eligible municipality that establishes a sports and entertainment district, may by ordinance establishing the district, assess any or all of the following taxes for a period of not more than 30 years: (1) a 2% tax on receipts from every sale within the district of tangible personal property subject to taxation under subsection (a) of section 3 of *L.* 1966, *c.* 30 (C. 54:32B-3); (2) a 2% tax on sales within the district of food and drink subject to taxation pursuant to subsection (c) of section 3 of *L.* 1966, *c.* 30 (C. 54:32B-3); (3) a 2% tax on hotel rooms occupied within the district and subject to taxation pursuant to subsection (d) of section 3 of *L.* 1966, *c.* 30 (C. 54:32B-3); and (4) a 2% tax on admission charges to places of amusement within the district subject to taxation pursuant to subsection (3) of *L.* 1966, *c.* 30 (C. 54:32B-3). An eligible municipality may dedicate some or all of the taxes collected, to the financing of a sports and entertainment facility within the district. *L.* 2007, *c.* 30.

Transfer Inheritance and Estate Tax

The Transfer Inheritance Tax applies to the transfer of all personal property, New Jersey real property and intangible personal property wherever situated, having a market value of $500 or more in estates of resident decedents and of real and tangible personal property located within New Jersey of non-resident decedents. No tax is imposed on transfers made to a husband, wife or child of a decedent. *L.* 1985, *c.* 57.

Current Rates: 11% to 16%, depending on the relationship of the beneficiaries to the decedent and the amount received by each beneficiary.

For decedents dying on or before December 31, 2001, the estate tax constitutes the amount of any available federal estate tax credit remaining after state inheritance and estate taxes are paid, under the provisions of the federal estate tax in effect on December 31, 2001. The federal estate tax in effect on December 31, 2001 is on the value of a decedent's estate after allowing a credit calculated as a percentage of the federal liability, for any State inheritance or estate taxes paid. For decedents dying after December 31, 2001, the estate tax is computed in accordance with the federal estate tax as of December 31, 2001 or under a simplified method prescribed by the Director of the Division of Taxation, as the estate representative may elect. *L.* 2002, *c.* 31. The estate tax is due nine months after the death of the decedent, at the time the federal return is filed.

Tourism Tax

This tax may be imposed on certain tourism related retail receipts within tourism improvement and development districts created by ordinances of two or more contiguous municipalities located in counties of the sixth class. *L.* 1992, *c.* 165; *L.* 1997, *c.* 273.

Current Rate: not to exceed 2%.

Voice Grade Access Line and Service Number Fees

L. 2004, *c.* 48 imposes a fee of $0.90 to be charged by mobile telecommunications companies for each voice grade access service number as part of mobile telecommunications service provided to a customer, billed by or for the customer's home service provider, and provided to a customer with a place of primary use in this State. It further imposes a fee of $0.90 for each voice grade access line provided by a telephone exchange company.

It exempts from the fee charged by a telephone exchange company any customer enrolled in the Lifeline Telecommunications program or in receipt of Lifeline Telecommunications or Universal Service Fund benefits for a periodic bill. State government agencies, county or municipal governments or their agencies and school districts are further exempt from this fee charged by a telephone exchange company for any bill issued to them on or after January 1, 2005.

This act became effective immediately and applies to billing periods ending on or after July 1, 2004, except that for bills issued to Private Branch Exchange or Centrex systems, this act applies to bills issued for billing periods ending on or after August 1, 2004. *L.* 2004, *c.* 48.

APPENDIX II

BOND RESOLUTION AND THE THIRD SUPPLEMENTAL RESOLUTION

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NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

HIGHER EDUCATION FACILITIES TRUST FUND
GENERAL BOND RESOLUTION

Adopted November 15, 1995

A RESOLUTION AUTHORIZING THE ISSUANCE OF HIGHER EDUCATION FACILITIES TRUST FUND BONDS OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH BONDS AND PROVIDING FOR THE RIGHTS OF THE HOLDERS THEREOF

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HIGHER EDUCATION FACILITIES TRUST FUND
GENERAL BOND RESOLUTION

A RESOLUTION AUTHORIZING THE ISSUANCE OF HIGHER EDUCATION FACILITIES TRUST FUND BONDS OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH BONDS AND PROVIDING FOR THE RIGHTS OF THE HOLDERS THEREOF

BE IT RESOLVED by the New Jersey Educational Facilities Authority as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 101. Definitions. The following terms shall, for all purposes of this Resolution, have the following meanings:

Account or Accounts shall mean, as the case may be, each or all of the accounts established and created under Article V hereof.

Accountant's Certificate shall mean a certificate signed by an independent certified public accountant of recognized standing or a firm of independent certified public accountants of recognized standing, selected by the Authority, who may be the accountant or firm of accountants who regularly audit the books of the Authority.

Accreted Value shall mean, as of the date of computation, the value of a Capital Appreciation Bond as determined by reference to the method of computing the increase in the value of such Capital Appreciation Bond set forth in the Supplemental Resolution authorizing the issuance of such Capital Appreciation Bond.

Act shall mean the New Jersey Educational Facilities Authority Law, being Chapter 72A of Title 18A of the New Jersey statutes, as enacted by Chapter 271 of the Laws of 1967, as amended and supplemented, including the Higher Education Facilities Trust Fund Act (P.L. 1993, c. 375) as amended and supplemented.

Additional Bonds shall mean Bonds authenticated and delivered upon original issuance pursuant to Sections 204 and 205 of this Resolution and includes Refunding Bonds.

Authority means the New Jersey Educational Facilities Authority, a body corporate and politic, with corporate succession, constituting a political subdivision of the State, created by the Act.

Authorized Authority Representative shall mean the Chairman, the Vice Chairman, the Treasurer, or the Executive Director of the Authority and, when used with reference to an act or a document, also means any other person who shall be authorized by resolution of the Authority to perform such act or to execute such document.

Authorized Institution Representative shall mean any person or persons authorized to act on behalf of an Institution by a written certificate duly executed on behalf of the Institution, which sets forth such authorization and which contains the specimen signature of each such person.

Authorized Denominations shall mean $5,000 or any integral multiple of $5,000.

Authorized Newspaper shall mean a financial newspaper customarily published in the Borough of Manhattan, City and State of New York, at least once a day for at least five (5) days (other than legal holidays) in each calendar week, printed in the English language and devoted in whole or part to financial matters.

Bond or Bonds shall mean any of the bonds of the Authority delivered under and pursuant to the terms of the Resolution.

Bond Counsel shall mean an attorney or firm of attorneys with experience and nationally recognized expertise in the field of municipal finance selected by the Authority.

Bond Registrar shall mean the Trustee, its successors and assigns, or any other commercial bank or trust company organized under the laws of any state of the United States of America or national banking association appointed by the Authority to perform the duties of the Bond Registrar enumerated in Section 305 of this Resolution.

Bondholder or Holder of Bonds or Holder shall mean any person who shall be the registered owner of any Bond or Bonds.

Business Day shall mean any day that is not a Saturday, a Sunday or a legal holiday in the State or the State of New York or a day on which the Trustee, the Bond Registrar, the Authority or any Paying Agent is legally authorized to close.

Capital Appreciation Bond shall mean a Bond or Bonds with a stated Accreted Value at maturity, the interest on which is not payable until maturity or earlier redemption.

Code shall mean the Internal Revenue Code of 1986, as amended from time to time, and the applicable regulations thereunder.

Debt Service shall mean, with respect to any Interest Payment Date, the sum of interest and the Principal Installment, if any, payable on such Interest Payment Date.

Debt Service Fund shall mean the Debt Service Fund established in Section 501.

Default Interest shall have the meaning given to such term in Section 308 hereof.

Depository shall mean any bank or trust company selected by the Authority as a depository of moneys and securities held under the provisions of this Resolution and shall include the Trustee and the Paying Agent.

Favorable Opinion of Bond Counsel shall mean an opinion of Bond Counsel, addressed to the Authority and the Trustee, to the effect that the action proposed to be taken is authorized or permitted by this Resolution and the Act and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation under Section 103 of the Code.

Federal Securities shall mean (i) any direct and general obligations of, or any obligations guaranteed by, the United States of America, including but not limited to interest obligations of the Resolution Funding Corporation or any successor thereof, (ii) any obligations of any state or political subdivision of a state ("Refunded Bonds") which are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of the Refunded Bonds, and (iii) certificates of ownership of the principal or interest of direct and general obligations of, or obligations guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System.

Fiduciary or Fiduciaries shall mean the Trustee, the Depositories, the Paying Agents, the Bond Registrar or any or all of them, as may be appropriate.

Financing Facility shall mean any revolving credit agreement, agreement establishing a line of credit or letter of credit, reimbursement agreement, interest rate exchange agreement, insurance contract, surety bond, commitment to purchase or sell bonds, purchase or sale agreement, or commitments or other contracts or agreements, and other security agreements as approved by the Authority and by each Rating Agency which has issued or will issue a rating of the Bonds to which such Financing Facility relates, in connection with the issuance of Bonds or Subordinated Debt. The term Financing Facility shall include, without limitation, any Swap Agreement.

Financing Facility Payment Obligations shall mean all payment and reimbursement obligations of the Authority in connection with any Financing Facility.

Financing Facility Provider shall mean the issuer or provider of a Financing Facility.

Financing Facility Revenues shall mean all amounts received by the Authority or the Trustee pursuant to any Financing Facility.

Fiscal Year shall mean the fiscal year of the State which presently includes the twelve (12) month period commencing July 1 of each year and ending on the succeeding June 30.

Fitch shall mean Fitch Investors Service.

Fund or Funds shall mean, as the case may be, each or all of the Funds established in Section 501.

Grant shall mean Grants made to Private Institutions of Higher Learning and Public Institutions of Higher Learning pursuant to the Higher Education Facilities Trust Fund Act.

Interest Payment Date shall mean any date on which any interest shall be due and payable by the Authority. In the event an Interest Payment Date is not a Business Day, interest shall be paid on the next succeeding Business Day for interest accrued to the Interest Payment Date.

Investment Agreement shall mean an investment agreement with (i) a commercial bank or trust company or a national banking association in any case having a capital stock and surplus of more than $100,000,000, or (ii) an insurance company with the highest rating provided by A.M. Best Company, or (iii) a corporation; provided that the credit of such commercial bank or trust company or national banking association, insurance company or corporation, as the case may be, is rated (or, in the case of a corporation, whose obligations thereunder are guaranteed by a corporation whose credit is rated) not lower than the rating category of Moody's and S&P required to maintain the rating then in effect or to obtain the rating to be obtained on the Bonds in respect of which such Investment Agreement is entered into, which agreement provides for the investment of funds held in the Funds and Accounts, which Investment Agreement shall be collateralized by at least one hundred two (102%) percent in principal amount of Investment Obligations, as the same may be amended from time to time.

Investment Obligations shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds, and in the case of investments of funds in the Debt Service Reserve Fund, if any, which meet the then applicable requirements of each Rating Agency then maintaining a rating on the applicable Series of Reserve Fund Bonds for such investments:

(i) Federal Securities;

(ii) Bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States to the extent such obligations are guaranteed by the United States or by another such agency the obligations (including guarantees) of which are guaranteed by the United States;

(iii) Bonds, debentures, notes or other evidences of indebtedness issued by any corporation chartered by the United States, including, but not limited to, Governmental National Mortgage Association, Federal Land Banks, Federal Home Loan Mortgage

Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Resolution Funding Corporation, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;

(iv) Negotiable or non-negotiable certificates of deposit (or other interest bearing deposit arrangements) issued by any bank, trust company or national banking association, including a Fiduciary, which certificates of deposit shall be continuously secured or collateralized by obligations described in subparagraphs (i) or (ii) of this definition, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit or other interest bearing deposit arrangements and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit or held in the manner required by Section (vi)(b) below;

(v) Uncollateralized negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, the unsecured obligations of which are rated in one of the two highest rating categories, without rating sub-categories, by Moody's and S&P;

(vi) Repurchase agreements collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P, or any commercial bank with the above ratings, provided:

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction, which characterizes the transaction as a purchase and sale of securities,

(b) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $75,000,000 or (iii) a bank approved in writing for such purpose by each Financing Facility Provider, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. or a successor provision in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of six months or less, or the custodian will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation,

(e) the repurchase agreement matures on or before a Payment Date (or, if held in a Fund other than the Debt Service Fund or the Debt Service Reserve Fund, other appropriate liquidation period), and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to the collateral levels established by a Rating Agency for the rating assigned by the Rating Agency to the seller.

(vii) Banker's acceptances, eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided for by subparagraphs (iv) and (v) above) of the domestic branches of foreign banks having a capital and surplus of $1,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, in the amount of $1,000,000,000; provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of Funds under this Resolution with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further than any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating subcategories, by Moody's and S&P;

(viii) Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State of New Jersey or which are legal investments for savings banks in the State of New Jersey;

(ix) Deposits in the New Jersey Cash Management Fund;

(x) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories by Moody's and S&P;

(xi) Commercial paper with a maturity date not in excess of 270 days rated by the Rating Agencies at least equal to the rating assigned by the Rating Agencies to the applicable Series of Bonds and in no event lower than the "A" category established by a Rating Agency (which may include subcategories indicated by plus or minus or by numbers) at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof;

(xii) Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is then rated in any of the three highest rating categories by any Rating Agency which is then rating the Bonds or money market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof which has a combined capital and surplus of not less than $50,000,000;

(xiii) Investment contracts (a) providing for the future purchase of securities of the type described in (i), (ii), (iii) and (viii) above, which contracts have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction or (b) the obligor under which or the guarantor thereof shall have a credit rating such that its long term debt is rated at least "A+" by S&P if the Bonds are then rated by such Rating Agency and at least "A1" by Moody's if the Bonds are then rated by such Rating Agency; and

(xiv) Investment Agreements.

Moody's shall mean Moody's Investors Service.

Outstanding when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

(i) Bonds cancelled by the Trustee at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, together with interest to accrue thereon to the date of maturity or redemption date, shall be held in an irrevocable trust under this Resolution and set aside for such payment or redemption (whether at or prior to the maturity) provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as in Article IV hereof;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 1006; and

(iv) Bonds deemed to have been paid as provided in subsections 2 or 3 of Section 1101.

Paying Agent shall mean any bank or trust company organized under the laws of any state of the United States or any banking association designated as paying agent for the Bonds of any Series, and its successors and assigns and its successor or successors appointed in the manner provided in this Resolution.

Principal Installment shall mean, as of any date of calculation, and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of

Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established plus any applicable redemption premium thereon, and (ii) any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premium, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to such Sinking Fund Installments.

Private Institution of Higher Education shall mean independent colleges or universities incorporated and located in New Jersey, which by virtue of law or character or license, are nonprofit educational institutions authorized to grant academic degrees and which provide a level of education which is equivalent to the education provided by the State's public institutions of higher education, and which are eligible to receive State aid.

Public Institution of Higher Education shall mean Rutgers, The State University, the State colleges, the New Jersey Institute of Technology, the University of Medicine and Dentistry of New Jersey, the county colleges and any other public university or college now or hereinafter established or authorized by law.

Rating Agency shall mean, to the extent applicable, S&P and any successor thereto, if it has assigned a rating to any Bonds, Moody's and any successor thereto, if it has assigned a rating to any Bonds, Fitch and any successor thereto, if it has assigned a rating to any Bonds or any other nationally recognized bond rating agency and any successor thereto if it has assigned a rating to any Bonds.

Rebate Fund shall mean the Rebate Fund established in Section 501 under this Resolution.

Record Date shall mean, with respect to the Bonds, the 15th day of the month next preceding any Interest Payment Date.

Redemption Price shall mean, with respect to any Bond, the principal amount thereof plus the applicable redemption premium thereon, if any, payable upon redemption thereof pursuant to the Resolution.

Refunding Bonds shall mean the Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 204, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 1006 hereof.

Resolution shall mean this resolution as amended and supplemented from time to time.

Revenues shall mean moneys appropriated by the State and paid to the Authority for deposit in the Trust Fund and all interest and investment earnings on moneys in the Trust Fund, except amounts required to be deposited in the Rebate Fund.

S&P shall mean Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc.

Series shall mean all of the Bonds authenticated and delivered upon original issuance and pursuant to this Resolution authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III of the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

Series 1995A Bonds shall mean all of the Bonds authenticated and delivered upon original issuance pursuant to Section 203 hereof.

Sinking Fund shall mean the Sinking Fund established in Section 501.

Sinking Fund Installment shall mean that designated amount on deposit in the Sinking Fund which shall be applied by the Trustee to the redemption of Bonds of any Series.

Special Record Date shall have the same meaning given to such term in Section 308 hereof.

State shall mean the State of New Jersey or any successor to its duties and functions.

State Treasurer shall mean the Treasurer of the State.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of this Resolution adopted by the Authority.

Tax-Exempt Obligations shall mean any Series of Bonds which are issued pursuant to the terms of this Resolution together with an opinion of Bond Counsel to the Authority to the effect that the interest on such Bonds is not includable in gross income for Federal income tax purposes pursuant to the provisions of the Code (notwithstanding the application of the provisions of the Code relating to alternative minimum taxation).

Trust Fund shall mean the Higher Education Facilities Trust Fund established in Section 501.

Trustee shall mean Commerce Bank, National Association, Cherry Hill, New Jersey and its successors or assigns and any other trustee that at any time may be substituted in its place pursuant to this Resolution.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, words importing persons shall include firms, associations, corporations, districts, agencies and bodies, and words of the masculine gender shall

mean and include correlative words of the feminine and neuter gender and vice versa. All times referenced herein shall be to prevailing Eastern time unless otherwise specifically noted.

Section 102. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act.

Section 103. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the Bonds; and the security interest granted and the pledge and assignment made in this Resolution and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, all except as expressly provided in or permitted by this Resolution.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

Section 201. Authorization of Bonds. 1. The Authority does hereby determine to provide Grants to Public and Private Institutions of Higher Education pursuant to and in accordance with the Act.

2. In accordance with the Act and pursuant to the provisions of this Resolution, Bonds of the Authority to be designated as "Higher Education Facilities Trust Fund Bonds" are hereby authorized to be issued. The Bonds shall be special and limited obligations of the Authority payable solely from Revenues and other funds held under the Resolution. The aggregate principal amount of the Bonds that may be executed, authenticated and delivered under this Resolution is not limited except as is or as hereafter may be provided in this Resolution or as may be limited by law.

3. The Bonds may, if and when authorized by the Authority pursuant to this Resolution and one or more Supplemental Resolutions, be issued in one or more Series (if the same has been approved by the Treasurer), and the designation thereof, in addition to the name "Higher Education Facilities Trust Fund Bonds", shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the Authority shall determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Section 202. General Provisions for Issuance of Bonds. 1. All of the Bonds of each Series shall be executed by the Authority for issuance under this Resolution and shall be delivered to the Trustee or the Bond Registrar. Thereupon the Trustee or the Bond Registrar shall authenticate and shall deliver the Bonds to the Authority or upon its order, but only upon the receipt by the Trustee of:

(a) a certificate evidencing the consent of the State Treasurer to the issuance of the Bonds of such Series;

(b) An opinion of Bond Counsel to the effect that, except insofar as it may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights generally and the availability of any particular remedy, (i) the Authority has the right and the power under the Act, as amended to the date of such opinion, to adopt this Resolution; this Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, is valid and binding upon the Authority and is enforceable in accordance with its terms and no other authorization for the adoption of this Resolution is required; (ii) this Resolution creates the valid pledge that it purports to create; and (iii) the Bonds of such Series are valid, binding, direct and special obligations of the Authority as provided in this Resolution, enforceable in accordance with their terms and the terms of this Resolution and entitled to the benefits of this

Resolution and of the Act as amended to the date of such opinion, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date of such opinion and in accordance with this Resolution;

(c) A written order as to the delivery of such Bonds signed by an Authorized Authority Representative, which order shall (i) direct the application of the proceeds of such Bonds and (ii) set forth the maturity schedule for the Bonds and the interest rates payable with respect thereto;

(d) A copy, duly certified by an Authorized Authority Representative, of this Resolution and the resolution of the Authority awarding the Bonds (which resolution shall not be a Supplemental Resolution hereunder);

(e) A copy of the Supplemental Resolution authorizing the Series of Bonds, certified by an Authorized Authority Representative, which shall, among other provisions, specify, or delegate to an Authorized Authority Representative, the power to specify: (1) the authorized principal amount, designation and Series of such Bonds; (2) the purposes for which such Series of Bonds are being issued, which shall be for the purposes specified in Section 203, 204 or 205 hereof; (3) the date, and the maturity date or dates, of the Bonds of such Series; (4) the interest rate or rates or the method of calculation of the interest rate or rates of the Bonds of such Series and the Interest Payment Dates therefor; (5) the denominations of, and the manner of dating (except as otherwise provided herein), numbering and lettering the Bonds of such Series, provided that such Bonds shall be in denominations of $5,000 or any multiple thereof as authorized by such Supplemental Resolution; (6) the Paying Agent or Paying Agents and the place or places or methods of payment of the principal and Redemption Price, if any, of, and interest on, the Bonds of such Series; (7) the Redemption Price(s), if any, and, subject to Article IV, the redemption terms for the Bonds of such Series; (8) the amount and due date of each Sinking Fund Installment, if any, for Bonds of like maturity of such Series; (9) if so determined by the Authority, provisions for the sale of the Bonds of such Series; (10) the amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Series of Bonds in the Trust Fund and provisions for the application thereof to the payment of all or a portion of the interest on such Series of Bonds or any other Series of Bonds; and (11) the form of the Bonds of such Series and of the Trustee's certificate of authentication;

(f) Such further documents, moneys and securities as are required by the provisions of Section 203, 204 or 205 or Section 703 or Article IX or any Supplemental Resolution adopted pursuant to Article IX;

(g) Except in the case of Refunding Bonds and the Series 1995A Bonds, a certificate of an Authorized Authority Representative stating that the

Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Resolution;

(h) In the case of a Supplemental Resolution which delegates to an Authorized Authority Representative the power to specify the information set forth in subparagraph (f) above, a certificate of such Authorized Authority Representative which specifies and sets forth such information; and

(i) a certificate of an Authorized Authority Representative to the effect that the Bonds of such Series are within the aggregate amount of Bonds authorized to be issued pursuant to the Act.

2. All of the Bonds of each Series of like maturity shall be identical in all respects, except as to denominations, numbers and letters. After the original issuance of the Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Article III, Section 406 or Section 1006.

Section 203. The Series 1995A Bonds. The Series 1995A Bonds shall be issued, authenticated and delivered to finance the Grants to be made by the Authority. All matters regarding the Series 1995A Bonds shall be determined in a Supplemental Resolution.

Section 204. Refunding Bonds. 1. One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any portion (as determined by the Authority) of any Outstanding Bonds of one or more Series or one or more maturities within the Series of Bonds upon (i) the consent of the State Treasurer and (ii) compliance with the terms and conditions set forth in subsection 2 of this Section 204 and in Section 202 hereof.

2. Prior to or simultaneously with the delivery of each such Series of Refunding Bonds pursuant to subsection 1 of this Section 204, the Trustee shall receive, in addition to the items required by Section 202 hereof:

A. Irrevocable written instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be redeemed on a redemption date specified in such instructions; and

B. If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding sixty (60) days, irrevocable written instructions to the Trustee, satisfactory to it, to make due publication of the notice provided for in Section 405 to the Holders of the Bonds being refunded.

3. The proceeds, including accrued interest, of the Refunding Bonds of such Series shall be applied simultaneously with the delivery of such Refunding Bonds, as provided in the Supplemental Resolution authorizing such Series.

Section 205. Additional Bonds. One or more Series of Additional Bonds may be authenticated and delivered upon original issuance for the purpose of making additional Grants upon the prior written consent of the State Treasurer and upon compliance with the terms and conditions set forth in Section 202 hereof. The proceeds, including accrued interest, of the Additional Bonds of each Series shall be applied simultaneously with the delivery of such Additional Bonds, as provided in the Supplemental Resolution authorizing such Series.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 301. Obligation of Bonds; Medium of Payment; Form and Date; Letters and Numbers. 1. The Bonds shall be direct and special obligations of the Authority payable, with respect to principal, Redemption Price and interest, solely from Revenues deposited in the Trust Fund which under the Act and this Resolution may be used for the payment of principal or Redemption Price of and interest on the Bonds of the Authority.

2. The Bonds shall be payable with respect to principal and interest in any coin or currency of the United States of America that at the time of payment is legal tender for the payment of public and private debts.

3. All Bonds of each Series shall be issued in the form of fully registered Bonds. The Bonds of each Series shall be substantially in the form set forth in the Supplemental Resolution authorizing such Series.

4. Each Bond shall be lettered and numbered as provided in this Resolution or the Supplemental Resolution authorizing the Series of which such Bond is a part so as to be distinguished from every other Bond.

5. The Bonds shall be dated as provided in a Supplemental Resolution. Principal of the Bonds shall be payable at maturity upon presentation and surrender thereof at the office of the Paying Agent. Bonds shall bear interest as provided herein, payable by check or bank draft, except as provided otherwise in the case of Bonds registered in the name of Cede & Company as nominee of The Depository Trust Company, to registered owners of such Bonds as of the Record Date provided for such Bonds at their addresses on file with the Trustee who has been designated the Bond Registrar hereunder. After original issue, all Bonds exchanged or transferred shall bear an authentication date that shall be the date authenticated. Interest on Bonds shall accrue from the Interest Payment Date to which interest has been paid next preceding the authentication date unless (1) the date of authentication is also an Interest Payment Date to which interest has been paid, in which event such Bonds shall be dated and shall bear interest from the date of authentication, or (2) the date of authentication is prior to the first Interest Payment Date, in which event such Bonds shall bear interest from the original dated date of such Bonds; provided however that if, as shown on the records of the Trustee, interest on the Bonds of any Series shall be in default, Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered.

Section 302. Legends. The Bonds of each Series may contain or may have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with the custom or rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the Authority prior to the authentication and the delivery thereof.

Section 303. Execution of Bonds. The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chairman or Vice Chairman and its corporate seal shall be thereunto affixed, imprinted or otherwise reproduced and attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Authority. In the event any officer who shall have signed, sealed or attested any of the Bonds shall cease to be such officer of the Authority before the Bonds so signed, sealed or attested shall have been authenticated and delivered by the Trustee or by the Bond Registrar, such Bonds nevertheless may be authenticated and delivered as herein provided as if the person who so signed, sealed or attested such Bonds had not ceased to be such officer. Any Bond of a Series may be signed, sealed or attested on behalf of the Authority by any person who shall hold the proper office at the date of such act, notwithstanding at the date of such Bonds such person may not have held such office.

Section 304. Authentication of Bonds. The Bonds of each Series shall bear thereon a certificate of authentication duly executed upon issuance by the Trustee or the Bond Registrar. Only such Bonds as shall bear thereon such certificate of authentication, duly executed, shall be entitled to any right or benefit under this Resolution. No Bond shall be valid or obligatory for any purpose unless such certificate of authentication upon such Bond shall have been duly executed by the Trustee, or by the Bond Registrar, as the case may be. Such certificate of authentication by the Trustee or by the Bond Registrar, as the case may be, upon any Bond executed on behalf of the Authority shall be conclusive and the only evidence that the Bond so authenticated has been duly authenticated and delivered under this Resolution and that the Holder thereof is entitled to the benefit of this Resolution.

Section 305. Transfer, Exchange and Registry of Bonds and Agency Therefor. 1. The Authority shall cause and hereby appoints the Bond Registrar as its agent to maintain and to keep books for the registration, the exchange and the transfer of Bonds. Upon presentation of Bonds for transfer or exchange at the designated office of the Bond Registrar, together with (i) a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Holder or by his attorney duly authorized in writing and (ii) a certificate of an Authorized Authority Representative approving such transfer, the Bond Registrar shall register or shall cause to be registered and shall permit to be transferred thereon or to be exchanged any Bond entitled to registration, transfer or exchange. Upon the transfer or exchange of any Bond, the Authority shall execute, and the Trustee or the Bond Registrar shall authenticate and shall deliver a new Bond or Bonds in any Authorized Denomination registered in the name of the Holder or transferee of the same aggregate principal amount, designation and maturity as the surrendered Bond.

2. The Authority and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of the Authority as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary. The Authority agrees to indemnify and save each Fiduciary harmless from and against any and all loss,

cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence, willful misconduct or default under this Resolution, in so treating such registered owner.

3. All Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Bond Registrar and cancelled or retained by the Bond Registrar. For every such exchange or transfer of Bonds, whether temporary or definitive, the Authority or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Authority nor the Bond Registrar shall be required (a) to exchange or transfer the Bonds of any Series for a period beginning on the Record Date next preceding an Interest Payment Date for Bonds of a particular Series and ending on such Interest Payment Date, or for a period of fifteen (15) days next preceding the date (as determined by the Trustee) of any selection of Bonds to be redeemed and thereafter until after the mailing of the notice of redemption, or (b) to transfer or exchange any Bonds called for redemption.

Section 306. Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds. In case any Outstanding Bond shall be mutilated, destroyed, stolen or lost, the Authority shall execute and the Trustee or the Bond Registrar, as the case may be, shall authenticate and shall deliver a new Bond, of like tenor, number and amount as the Bond so mutilated, destroyed, stolen or lost in exchange and in substitution for and upon surrender of such mutilated Bond or in lieu of and in substitution for the Bond if any, destroyed, stolen or lost upon filing with the Trustee and the Bond Registrar evidence satisfactory to the Authority, the Trustee and the Bond Registrar that such Bond had been destroyed, stolen or lost and proof of ownership thereof, upon furnishing the Authority, the Trustee and the Bond Registrar with indemnity satisfactory to them, upon paying such expenses as the Authority, the Trustee and the Bond Registrar may incur in connection therewith and upon complying with such other reasonable regulations as the Authority, the Trustee and the Bond Registrar may prescribe. In lieu of reissuing a mutilated, destroyed, lost or stolen Bond that is due and payable, the Trustee and the Bond Registrar may pay the amount due on such Bond to the owner or the Holder thereof, provided all the other requirements of this Section have been met. Any Bond surrendered for transfer shall be cancelled by the Trustee. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Authority, whether or not the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this Resolution, in any moneys or securities held by the Authority or any Fiduciary for the benefit of the Bondholders.

Section 307. Temporary Bonds. Until the definitive Bonds are prepared, the Authority may execute in the same manner as is provided in Section 303 and, upon the request of the Authority, the Trustee or Bond Registrar shall authenticate and shall deliver in lieu of definitive Bonds but subject to the same provisions, limitations and conditions as the definitive Bonds except as to the denominations thereof and as to exchangeability for registered Bonds, one or more temporary Bonds of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in Authorized Denominations and with such omissions, insertions and

variations as may be appropriate to temporary Bonds for notation thereon of the payment of such interest. The Authority at its own expense shall prepare and shall execute and, upon the surrender for exchange and for cancellation of such temporary Bonds, the Trustee or the Bond Registrar shall authenticate and shall deliver in exchange there for definitive Bonds of the Authority without charge to the Holder thereof.

Section 308. Payment of Interest on Bonds; Interest Rights Preserved. 1. Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Bond is registered at the close of business on the date (hereinafter the "Record Date") which is the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date or such other date as shall be provided in a Supplemental Resolution authorizing any Series of Bonds.

2. Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (hereinafter "Default Interest") shall forthwith cease to be payable to the registered owner on the relevant Record Date by virtue of having been such owner; and such Default Interest shall be paid by the Authority to the persons in whose names the Bonds are registered at the close of business on a date (hereinafter the "Special Record Date") for the payment of such Default Interest, which shall be fixed in the following manner. The Authority shall notify the Trustee in writing of the amount of Default Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Authority shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Default Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Default Interest as in the subsection provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Default Interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment and not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name and at the expense of the Authority, shall cause notice of the proposed payment of such Default Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Bondholder at his address as it appears in the Bond register, not less than ten (10) days prior to such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under this Resolution upon transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

Section 309. Cancellation and Destruction of Bonds. All Bonds paid, either at or before maturity, shall be delivered to the Trustee when such payment is made, and such Bonds shall thereupon be promptly cancelled. Bonds so cancelled may at any time be destroyed by the Trustee, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be filed with the Authority and the other executed certificate shall be retained by the Trustee.

Section 310. Capital Appreciation Bonds; Calculation of Accreted Value. Notwithstanding any other provisions of the Resolution to the contrary, Bonds may be issued as Capital Appreciation Bonds. Such Capital Appreciation Bonds shall be issued in fully registered form upon the terms and conditions set forth in a Supplemental Resolution duly adopted prior to the authentication and delivery of the Capital Appreciation Bonds upon original issuance.

Any Supplemental Resolution of the Authority authorizing the issuance of Capital Appreciation Bonds shall provide for the method of determining the Accreted Value of the Bonds from the time of original issuance to any subsequent date or time of required valuation. The Accreted Value of Capital Appreciation Bonds Outstanding shall be used for the purpose of determining any required principal amount of such Bonds for Bondholders' consents or approvals, the Redemption Price of such Bonds or the priority of any claim for payment of interest or principal upon the occurrence of an Event of Default.

ARTICLE IV

REDEMPTION OF BONDS

Section 401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to this Resolution or a Supplemental Resolution shall be redeemable, upon notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms, in addition to the terms contained in this Article IV, as may be specified in the Supplemental Resolution authorizing such Series. The written consent of the State Treasurer shall be received by the Authority prior to the redemption of any Bonds or Series of Bonds, except for the redemption of Bonds pursuant to mandatory sinking fund redemption. A copy of such written consent of the State Treasurer shall be received by the Trustee prior to the mailing of the notice of redemption in accordance with Section 405 hereof. Except as may be otherwise provided in a Supplemental Resolution authorizing a Series of Bonds, any Series of Bonds may be redeemed in whole or in part on any date at the option of the Authority in accordance with this Resolution or a Supplemental Resolution.

Section 402. Redemption at the Election or Direction of the Authority. In the case of any redemption of Bonds at the election or direction of the Authority, upon the consent of the State Treasurer, the Authority shall give written notice to the Trustee of its election or direction to so redeem, which notice shall include a copy of the written consent of the State Treasurer, if required, in accordance herewith, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority upon the consent of the State Treasurer, subject to any limitations with respect thereto contained in this Resolution). Such notice shall be given at least sixty (60) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 405 provided, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount in cash or Investment Obligations which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued thereon and unpaid to the redemption date, all of the Bonds to be redeemed. The Authority shall promptly notify the Trustee in writing of all such payments by it to such Paying Agents.

Section 403. Redemption Otherwise Than at the Authority's Election or Direction. Whenever by the terms of this Resolution the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the Authority, provided that if such redemption is required to be consented to in writing by the State Treasurer, such written consent has been delivered to the Trustee, the Trustee shall (i) select the Bonds or portions of Bonds to be redeemed, (ii) give the notice of redemption and (iii) pay out of moneys available therefor the Redemption Price thereof, plus interest accrued thereon and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Article IV.

Section 404. Selection of Bonds to be Redeemed. Unless otherwise provided in this Resolution, if less than all of the Bonds of like maturity of any Series shall be called for prior

redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its sole discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination of more than $5,000 to be redeemed shall be in the principal amount of $5,000 or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of $5,000 denomination which is obtained by dividing by $5,000 the principal amount of such Bond to be redeemed in part.

Section 405. Notice of Redemption. When the Trustee shall receive notice from the Authority of its election or direction to redeem Bonds pursuant to Section 402 hereof, including written notice from the State Treasurer of his or her consent to the redemption of the Bonds, and when redemption of Bonds is authorized or required pursuant to Section 403 and the Trustee shall have received written notice from the State Treasurer of his or her consent to the redemption of the Bonds, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, the Redemption Price, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, via first class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses appearing upon the registry books. Failure to give notice by mail, or any defect in the notice to the registered owner of any Bonds which are to be redeemed shall not affect the validity of the proceedings for the redemption of any other Bonds. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice.

Section 406. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 405, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued thereon and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued thereon and unpaid to the redemption date. If there shall be called for redemption less than all of a Bond, the Authority shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bonds so surrendered, Bonds of like Series and maturity in any of the Authorized Denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest thereon to the redemption date, shall be held

by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE V

REVENUES AND FUNDS

Section 501. Establishment of Funds. (1) The Authority hereby establishes and creates the following special funds:

Higher Education Facilities Trust Fund (in which there may be established, by written direction of the Authority, separate subaccounts for each of the grantees)

Debt Service Fund

Sinking Fund

Rebate Fund.

(2) Each of said funds shall be held by the Trustee.

Section 502. Pledge Securing Bonds. The Revenues and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the terms of the Resolution except the Rebate Fund or which are held in any funds which are established and created under the Resolution are hereby pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds. This pledge shall be valid and binding from and after the date of the first delivery by the Trustee of the first Bond which is authenticated and delivered under the terms of the Resolution. Except to the extent provided above, the Revenues and other moneys, securities and funds which are so pledged and which are thereafter received by the Authority, and any other moneys hereby pledged, shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations issued by the Authority and all other liabilities of the Authority. The lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. All payments by the State to the Authority for deposit in the Trust Fund are subject to and dependent upon appropriations being made from time to time by the State. There is no legal obligation on the State to make any such appropriations.

Section 503. Deposit of Bond Proceeds and Revenues. The proceeds of the Series 1995A Bonds and any Additional Bonds shall be deposited in the Trust Fund. All Revenues payable to the Authority by the State shall be paid directly to the Trustee. The Trustee shall be accountable only for moneys which are actually so deposited. All such amounts shall be paid by the Trustee into the Trust Fund. Any moneys, other than the foregoing, which are received by the Authority from any other source may also be deposited in the Trust Fund. Any moneys which are held in the Trust Fund shall be invested, at the oral direction of an Authorized

Authority Representative (promptly confirmed in writing), by the Trustee in Investment Obligations.

Section 504. Application of the Trust Fund.

1. The Trustee shall pay costs of issuance of any Bonds from the Trust Fund at the direction of the Authority.

2. The Trustee shall pay the amount of any Grant from the Trust Fund. Grants may be paid to the grantees or to the Authority, in such amounts as the Authority may direct in writing.

3. The Trustee shall pay the amount of any investment earnings and interest income in the Trust Fund from time to time to the State or to the Authority as the Authority may direct in writing.

4. Immediately prior to each Interest Payment Date, the Trustee shall withdraw from the Trust Fund and make the payments:

First: Into the Debt Service Fund, to the extent, if any, needed to increase the amount which is on deposit in the Debt Service Fund so that said amount equals the Debt Service payable on the next Interest Payment Date; provided, however, that for purposes of this Section, Debt Service shall not include any amounts which are payable into the Sinking Fund pursuant to the terms of paragraph Second below;

Second: Into the Sinking Fund, to the extent, if any, needed to increase the amount which is on deposit in the Sinking Fund so that said amount equals the amount of all Sinking Fund Installments which are due and payable on or before the next Interest Payment Date.

5. Any amounts on deposit in the Trust Fund not required for the purposes of the Trust Fund may be withdrawn from the Trust Fund and paid by the Trustee to the Authority as the Authority so directs in writing consistent with the Act.

Section 505. Application and Investment of Debt Service Fund. 1. Immediately prior to each Interest Payment Date established for the Bonds, the Trustee shall withdraw from the Debt Service Fund an amount which is equal to the interest which is due and payable on the Bonds on such Interest Payment Date, and shall cause the same to be deposited with the Paying Agent who shall apply the same to the payment of said interest when due.

2. If the withdrawals which are required to be made under the provisions of paragraph 1 of this Section with respect to the same and every prior date shall have been made, the Trustee shall withdraw from the Debt Service Fund, prior to each principal maturity date of the Bonds, an amount which is equal to the principal amount of Bonds, if any, maturing on said

day, and shall cause the same to be deposited with the Paying Agent who shall apply such amounts to the payment of the principal of said Bonds when due.

3. If the withdrawals which are required to be made under the provisions of paragraph 1 and paragraph 2 of this Section with respect to the same and every prior date shall have been made, the Trustee shall withdraw from time to time from the Debt Service Fund and pay into any account which is maintained in the Sinking Fund the amount which is sufficient to reimburse said account for any amounts which have been thereto fore paid from said account for or on account of accrued interest on Bonds which have been purchased in accordance with the provisions of Section 506 hereof.

4. Any moneys which are on deposit in the Debt Service Fund shall be invested, at the oral direction of an Authorized Authority Representative (promptly confirmed in writing), by the Trustee in Investment Obligations; provided, however, that the maturity of every such Investment Obligation shall not be later than the time when such funds are needed to be applied to pay the interest on or the principal of any Bonds. Any investment earnings or interest income which is derived from the investment of moneys which are on deposit in the Debt Service Fund shall be deposited in the Trust Fund or the Rebate Fund, as may be required.

5. No amount shall be withdrawn from or paid out of the Debt Service Fund except as expressly provided in this Section or Section 406 hereof.

Section 506. Application and Investment of Sinking Fund. (1.) The Trustee shall establish and shall maintain in the Sinking Fund a separate account for each Series of Term Bonds for which Sinking Fund Installments are established in accordance with the terms of the Resolution. Moneys which are paid into the Sinking Fund pursuant to the terms of Section 504 hereof shall, upon receipt, be segregated and shall be set aside in such accounts in proportion to the respective amounts of the Sinking Fund Installments which are payable at the next Payment Date with respect to the particular Term Bonds for which each such account is maintained. Moneys which are paid into the Sinking Fund pursuant to the terms of Section 505 hereof shall, upon receipt, be set aside in the account which is maintained therein with respect to which such payment is a reimbursement. Moneys which are paid into the Sinking Fund pursuant to the terms of paragraph 2 of this Section on account of any particular Sinking Fund Installment shall be set aside in the account which is maintained therein for the particular Term Bonds which are entitled to said Sinking Fund Installment.

2. The Trustee shall apply the moneys in any account which has been established in the Sinking Fund, as provided in paragraph 1 of this Section, to the purchase or the redemption of the Bonds for which such account is maintained, in the manner provided in this Section, or to the payment of the principal thereof at maturity, as the case may be. If on any date there shall be moneys in any such account and none of the Term Bonds for which such account was established shall be Outstanding, said account shall be closed and the moneys which are on deposit therein shall (upon the written direction of the Authority) be withdrawn therefrom by the Trustee and (a) shall be segregated and set aside in the other accounts in the Sinking Fund as if and with the same effect as if paid into the Sinking Fund by the Authority on said date pursuant to the terms of

Section 504 hereof, or (b) if no other accounts shall be maintained in the Sinking Fund, such amount shall be paid into the Trust Fund or the Rebate Fund as may be required.

3. The purchase price which shall be paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond which shall be purchased pursuant to the terms of this Section shall not exceed the Redemption Price of such Bond which is applicable upon its redemption through the application of the moneys which are available for such purpose on the next date on which such Bond could be redeemed in accordance with its terms by operation of the Sinking Fund. Subject to the limitations hereinbefore set forth or referred to in this Section, at the written direction of the Authority, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Trustee in its sole discretion may determine and as may be possible with the amount of moneys which are available therefor in the Sinking Fund.

4. As soon as practicable after the sixtieth (60th) day and before the thirtieth (30th) day prior to the date of each Sinking Fund Installment, the Trustee shall select for redemption on such Sinking Fund Installment due date such amount of Term Bonds of the Series for which the Sinking Fund Installment was established as will exhaust all moneys which are required to have been deposited in the Sinking Fund as of such Sinking Fund Installment due date. In addition, if the Authority delivers to the Trustee prior to such sixtieth (60th) day Bonds subject to redemption by operation of the Sinking Fund on the date of the next Sinking Fund Installment, the amount of such Sinking Fund Installment shall be reduced by an amount equal to the principal amount of the Bonds so delivered. Accrued interest on the Bonds which are to be redeemed shall be paid from the Debt Service Fund and all expenses which are incurred by the Trustee in connection with such redemption shall be paid by the Authority. All Bonds which are redeemed under the provisions of this Section shall be redeemed in the manner provided in Article IV of the Resolution, and prior to the date fixed for redemption the Trustee shall withdraw from the Sinking Fund the amount of the Redemption Price of such Bonds, and such amount shall be transferred to the Paying Agent by the Trustee and such amount shall be applied by the Paying Agent to the redemption of such Bonds on the dated fixed for redemption.

5. In lieu of purchasing or redeeming Term Bonds prior to their stated maturity date pursuant to the terms of paragraphs (3) through (5) hereof, the Authority may elect to retain the funds which have been deposited into the Sinking Fund, or any portion thereof, until the stated maturity date of such Bonds, and an Authorized Authority Representative may direct the Trustee to invest such funds in Investment Obligations; provided, however, that each such Investment Obligation shall mature not later than the stated maturity date of such Bonds. Such election shall be made, as to all or part of the Term Bonds of such Series, on or prior to the date that such Term Bonds are authenticated and delivered. Funds which are retained in the Sinking Fund at the election of the Authority pursuant to the terms of this paragraph shall be invested by the Trustee at the oral direction of the Authority (promptly confirmed in writing). In the event that any Investment Obligations which are purchased pursuant to the terms of this paragraph mature or are redeemed by the issuer thereof prior to the maturity date of the Term Bonds for which the Sinking Fund Installments were made, the Trustee, at the oral direction of the Authority (promptly confirmed in writing), shall either (i) reinvest the moneys in accordance with the terms of this

paragraph, or (ii) purchase Term Bonds with respect to which the Sinking Fund Installments were made at any time at prices not exceeding the principal amount thereof; or (iii) redeem such Term Bonds in accordance with the provisions of the Resolution. Moneys which are on deposit in the Sinking Fund shall not be used to pay more than the principal amount of the Bonds which are to be redeemed. The Authority shall not make any election which is authorized herein unless, in the opinion of Bond Counsel to the Authority, such election and investment will not cause the interest on the Bonds to become subject to Federal income taxation.

6. Investment income which is derived from the investment of any funds which are held in the Sinking Fund shall be deposited by the Trustee, upon receipt, in the Trust Fund or the Rebate Fund as may be required.

7. Any moneys which are on deposit in the Sinking Fund shall be invested at the oral direction of an Authorized Authority Representative (promptly confirmed in writing) in Investment Obligations; provided, however, that, other than moneys which are invested pursuant to paragraph (6) above, the maturity of every such Investment Obligation shall not be later than the time when such funds are needed for the purposes of the Sinking Fund.

8. If, immediately prior to the date which is established for the payment of a Sinking Fund Installment, all withdrawals or payments from the Sinking Fund which are required to be made pursuant to any other provision of the Resolution with respect to the same and every prior date shall have been made, and the amount which is on deposit in the Sinking Fund exceeds the aggregate principal amount of all Bonds which are then Outstanding for which Sinking Fund Installments have been established, such excess may be transferred by the Trustee, upon the written direction of the Authority, and paid into the Trust Fund.

9. No amount, if any, shall be withdrawn from or paid out of the Sinking Fund except as expressly provided in this Section or Section 406 hereof.

Section 507. Application and Investment of Rebate Fund.

1. All moneys which are subject to rebate to the United States Government pursuant to the provisions of the Code (in order to ensure that interest on the Bonds is exempt from Federal income taxation), as determined in accordance with the terms of this Section, shall be deposited in the Rebate Fund. Moneys which are on deposit in the Rebate Fund shall be invested by the Trustee, at the oral direction of an Authorized Authority Representative (promptly confirmed in writing), in Investment Obligations; provided, however, that such investments shall mature in such amounts and at such times as will permit funds to be available when needed to make payments to the United States Government in accordance with the terms of this Section. All income from such Investment Obligations shall be held within the Rebate Fund.

2. Amounts in the Rebate Fund shall be applied to make rebate payments from time to time as required by the Code. If moneys in the Rebate Fund are not sufficient to

make any required rebate payment, the Authority shall make moneys available for such payment from any source available for such purpose.

Section 508. Funds Held for Payment of Bonds. The amounts which are held by the Trustee or which are applied by the Paying Agent for the payment of the principal or Redemption Price of or interest which is due on any date with respect to particular Bonds shall, subsequent to the payment date and pending such payment, be set aside and held in trust for the holders of the Bonds, who are entitled to such payment, and for the purposes of the Resolution, such principal or Redemption Price, and interest after the date fixed for the payment thereof, shall no longer be considered to be unpaid.

Section 509. Cancellation of Bonds. All Bonds, which are purchased, redeemed or paid shall, if surrendered to the Authority or to any Paying Agent, shall be cancelled and delivered to the Registrar; or if such Bonds shall be surrendered to the Registrar, shall be cancelled by it. Such Bonds shall not be deemed to be Outstanding under the terms of the Resolution and no Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled by the Registrar and may be destroyed or returned and a certificate thereof shall be delivered by the Registrar to the Authority.

Section 510. Annual Request for Appropriation.

1. The Authority shall request in each State fiscal year, in time to be included in the Governor's budget message to the State legislature for the ensuing State fiscal year, an appropriation of all amounts necessary for payment of Debt Service on the Bonds. If such amount is not included in the enacted General Appropriations Act of the State for such ensuing State fiscal year, the Authority shall request the Governor to ask the State legislature for a supplemental appropriation of such amount. The Authority shall give the Trustee written notice within thirty (30) business days of (i) any failure of the State to include an appropriation for such Debt Service in any General Appropriations Act and (ii) the enactment of any such supplemental appropriation.

2. The Bonds shall not, in any way, be a debt or liability of the State or any political subdivision thereof except the Authority, and shall not create or constitute any indebtedness, liability or obligation of the State or any political subdivision thereof, except the Authority, or be or constitute a pledge of the faith and credit of the State or any political subdivision thereof. The State has no legal obligation to appropriate any amount for Debt Service on the Bonds. If the State fails to appropriate the required amounts, there is no other source of payment for the Bonds, except proceeds of the Bonds and investment earnings and income that may be on deposit in the Trust Fund from time to time.

3. The Bonds are payable solely from appropriations made by the State in each State fiscal year and other funds held pledged to secure the Bonds pursuant to Section 502. The State is not legally obligated to make any such appropriation in any such fiscal year. If the State fails to make any such appropriation, the Authority is not obligated to provide funds for payment of Debt Service.

ARTICLE VI

PARTICULAR COVENANTS OF THE AUTHORITY

Section 601. Payment of Bonds. The Authority shall duly and punctually pay or cause to be paid, but solely from the Trust Fund, the Debt Service Fund and the Sinking Fund, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof.

Section 602. Offices for Servicing Bonds. The Authority shall at all times maintain one or more agencies in the State of New Jersey, and may maintain one or more such agencies in any other state or states, where Bonds may be presented for payment. The Authority hereby appoints the Trustee as a Bond Registrar, and the Authority shall at all times maintain one or more agencies where Bonds may be presented for registration or transfer and where notices, demands and other documents may be served upon the Authority in respect of the Bonds or of this Resolution, and the Trustee shall continuously maintain or make arrangements to provide such services.

Section 603. Further Assurances. At any and all times the Authority shall, as far as it may be authorized by law, comply with any reasonable request of the Trustee to pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, moneys, securities and funds hereby pledged, or intended so to be, or which the Authority may become bound to pledge.

Section 604. Creation of Liens. The Authority shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a pledge or assignment of the funds held or set aside by the Authority or by Fiduciaries under this Resolution.

Section 605. Tax Covenant. 1. The Authority covenants to maintain the exclusion of interest on the Bonds from gross income for Federal income tax purposes. In furtherance of the covenant contained in the preceding sentence, the Authority will, among other things, comply with the instructions as to compliance with rebate contained in the tax certificate delivered by the Authority as of the date of, and with respect to, the first issuance and delivery of the Bonds, as a source of guidance for achieving compliance with the Code. Notwithstanding any other provision of this Resolution to the contrary, so long as is necessary in order to maintain the exclusion from gross income for Federal income tax purposes of interest on each of the Bonds, the covenants contained in this Section shall survive the payment or discharge thereof pursuant to Section 1101 of this Resolution.

2. The Authority hereby particularly covenants and agrees with the Holders of the Bonds which are issued as Tax-Exempt Obligations that (a) no part of the proceeds which are derived from the sale of any Series of the Bonds which are issued as Tax-Exempt Obligations

shall be used directly or indirectly to acquire any "investment property", as such term is defined in the Code, or any securities or obligations the acquisition of which would cause any such Bond to be an "arbitrage bond", as such term is defined in Section 148 of the Code, and (b) it will not take, and shall to the extent reasonably possible prohibit all other persons from taking, any actions which, if taken, would cause any such Bond to be an "arbitrage bond".

ARTICLE VII

DEFAULT PROVISIONS AND REMEDIES OF BONDHOLDERS

Section 701. Events of Default. Each of the following events shall constitute an Event of Default under this Resolution:

(i) if default shall be made by the Authority in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise, as applicable;

(ii) if default shall be made by the Authority in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor, when and as such interest installment or Sinking Fund Installment shall become due and payable;

(iii) if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in this Resolution or in the Bonds contained, and such default shall continue for a period of sixty (60) days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds Outstanding.

So long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, the Trustee by notice in writing to the Authority may, or upon receipt of a direction in writing from the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds Outstanding, shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration, the same shall become and be immediately due and payable, anything in this Resolution or in any of the Bonds contained to the contrary notwithstanding.

The right of the Trustee or of the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest (to the extent permitted by law) and the reasonable and proper fees, charges, expenses and liabilities of the Trustee, and all other sums then payable by the Authority under this Resolution (except the principal of, and interest accrued since the next preceding Interest Payment Date on, the Bonds due and payable solely by virtue of such declaration) shall be paid by or for the account of the Authority or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under this Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Holders of fifty-one percent (51%) in principal amount of the Bonds Outstanding, by written

notice to the Authority and the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of fifty-one percent (51%) in principal amount of the Bonds Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default shall be deemed to be annulled, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Section 702. Application of Funds. 1. During the continuance of an Event of Default, the Trustee shall apply all moneys, securities and funds received by the Trustee pursuant to any right given or action taken under the provisions of this Article together with all Funds held by the Trustee under this Resolution as follows and in the following order:

(i) Expenses of Fiduciaries -- to the payment of the reasonable and proper fees (including reasonable attorneys fees), charges, expenses and liabilities of the Fiduciaries;

(ii) Principal and Interest -- to the payment of the interest and principal then due on the Bonds, as follows:

(a) unless the principal of all of the Bonds shall have become or have been declared due and payable:

First: Interest -- To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal -- To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

2. Whenever all overdue installments of all Bonds, together with the reasonable and proper charges, fees (including reasonable attorney fees), expenses and liabilities of the Trustee, and all other sums payable by the Authority under this Resolution, including the principal of and accrued unpaid interest on all Bonds which shall then be payable, by declaration or otherwise shall either be paid by or for the account of the Authority, or provisions satisfactory to the Trustee shall be made for such payment, and all defaults under this Resolution or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of this Resolution to be deposited or pledged, with the Trustee) and thereupon the Authority and the Trustee shall be restored, respectively, to their former positions and rights under this Resolution. No such payment over to the Authority by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under this Resolution or impair any right consequent thereon.

Section 703. Proceedings Brought by Trustee. 1. If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Holders of the Bonds under this Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under this Resolution.

2. All rights of action under this Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof at the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

3. The Holders of fifty-one percent (51%) in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

4. Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under this Resolution, the Trustee shall be

entitled to exercise any and all rights and powers conferred in this Resolution and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

5. Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of fifty-one percent (51%) in principal amount of the Bonds then Outstanding and furnished with adequate security and indemnity satisfactory to the Trustee, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under this Resolution by any acts which may be unlawful or in violation of this Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

Section 704. Restrictions on Bondholder's Action. No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of this Resolution or the execution of any trust under this Resolution or for any remedy under this Resolution, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Holders of at least fifty-one percent (51%) in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in this Resolution or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity satisfactory to the Trustee against the costs, fees (including reasonable attorney fees), expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by this Resolution, or to enforce any right under this Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of this Resolution shall be instituted, had and maintained in the manner provided in this Resolution and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 902.

Section 705. Remedies Not Exclusive. No remedy by the terms of this Resolution conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution or existing at law or in equity or by statute on or after the date of execution and delivery of this Resolution.

Section 706. Effect of Waiver and Other Circumstances. 1. No delay or omission of the Trustee or any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

2. Prior to the declaration of maturity of the Bonds as provided in Section 701, the Holders of fifty-one percent (51%) in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Holders of all of the Bonds waive any past default under this Resolution and its consequences, except a default in the payment of interest on or principal or Redemption Price of any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 707. Notice of Default. The Trustee shall promptly mail written notice of the occurrence of any Event of Default of which the Trustee has actual knowledge to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of the Authority.

ARTICLE VIII

CONCERNING THE FIDUCIARIES

Section 801. Trustee; Appointment and Acceptance of Duties. Commerce Bank, National Association, Cherry Hill, New Jersey is hereby appointed Trustee under this Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the Authority a written acceptance thereof, and by executing such acceptance the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in this Resolution.

Section 802. Paying Agents; Appointment and Acceptance of Duties; Bond Registrar. 1. The Authority shall appoint one or more Paying Agents for the Bonds, and may at any time or from time to time appoint one or more other Paying Agents. All Paying Agents appointed shall have the qualifications set forth in Section 813 for a successor Paying Agent. The Trustee is hereby appointed a Paying Agent.

2. Unless otherwise provided, the principal corporate trust offices of the Paying Agents are designated as the respective offices or agencies of the Authority for the payment of the interest on and principal or Redemption Price of the Bonds.

3. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the Authority and to the Trustee a written acceptance thereof. No Paying Agent shall be liable for the acts or omissions of any other Paying Agent.

4. The Authority shall appoint a Bond Registrar, which shall be the Trustee. The Bond Registrar shall have the duties and the responsibilities provided in this Resolution. The Bond Registrar shall accept the responsibilities of a Bond Registrar hereunder with respect to all Bonds by executing a certificate to be delivered to the Trustee and the Authority.

Section 803. Responsibilities of Fiduciaries. 1. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or as to the security afforded by this Resolution, and no Fiduciary shall incur any liability in respect thereof. The Trustee or Bond Registrar shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of this Resolution to the Authority or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified to its satisfaction. Subject to the provisions of subsection 2 of this Section

803, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, willful misconduct or default.

2. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Resolution. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by this Resolution, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of this Resolution relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section 803 and Section 804.

Section 804. Evidence on Which Fiduciaries May Act. 1. Each Fiduciary, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of this Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Resolution and shall be protected in acting upon any such instrument believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance therewith.

2. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Authority Representative, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

3. Except as otherwise expressly provided in this Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Authority to any Fiduciary shall be sufficiently executed in the name of the Authority when signed by an Authorized Authority Representative.

Section 805. Compensation and Indemnification. 1. The Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including without limitation those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution, in accordance with the agreements made from time to time between the Authority and the Fiduciary.

2. The Authority hereby agrees to the extent permitted by law to reimburse and hold harmless each Fiduciary from and against any and all claims, damages, losses, liabilities, costs or reasonable expenses whatsoever which such Fiduciary may incur in connection with the performance by such Fiduciary of its obligations under the Resolution; provided, however, that the Authority shall not be required to reimburse and hold harmless any Fiduciary for any claims, damages, losses, liabilities, costs or expenses caused in whole or in part by such Fiduciary's negligence, bad faith, breach of contract or misconduct arising out of or as a result of such Fiduciary's performing its obligations under the Resolution or undertaking any transaction contemplated by the Resolution; and further provided, that the foregoing is subject to the limitations of the provisions of the New Jersey Tort Claims Act, N.J.S.A. 59:2-1 et seq. and the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq.

3. Each Fiduciary, by accepting its appointment as such under the Resolution, agrees that such Fiduciary (i) shall give the Authority prompt notice in writing of any actual or potential claim described above, and the institution of any suit or action; (ii) shall not adjust, settle or compromise any such claim, suit or action without the consent of the Authority; and (iii) shall permit the Authority, at the Authority's sole discretion, to assume full control of the adjustment, settlement, compromise or defense of each such claim, suit or action.

4. While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq. is not applicable by its terms to claims arising under contracts with the Authority, each Fiduciary, by accepting its appointment as such under the Resolution, agrees that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims against the Authority arising under this Section.

5. The indemnification provided in this Section does not apply to or extend to any indemnification which may be given by any Fiduciary to any other person.

Section 806. Certain Permitted Acts. Any Fiduciary, individually or otherwise, may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding. To the extent permitted by law, any Fiduciary may provide banking, financial and similar services to the Authority.

Section 807. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties created by this Resolution by giving not less than sixty (60) days prior written notice thereof to the Authority, and mailing notice thereof to the Holders of Bonds then Outstanding, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless (i) previously a successor shall have been appointed by the Authority or the Bondholders as provided in Section 809 hereof, in which event such resignation shall take effect immediately on the appointment of such successor, or (ii) a successor shall not have been appointed by the Authority or the Bondholders as provided in

Section 809 on such date, in which event such resignation shall not take effect until a successor is appointed.

Section 808. Removal of the Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Holders of fifty-one percent (51%) in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority. So long as no Event of Default, or an event which, with notice or passage of time, or both, would become an Event of Default, shall have occurred and be continuing, the Trustee may be removed at any time with or without cause by a resolution of the Authority filed with the Trustee.

Section 809. Appointment of Successor Trustee. 1. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor Trustee may be appointed by the Authority by a duly executed written instrument signed by an Authorized Authority Representative, but if the Authority does not appoint a successor Trustee within sixty (60) days, then by the Holders of fifty-one percent (51%) in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee.

2. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Trustee shall have given to the Authority written notice as provided in Section 807 hereof or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, removal, or for any other reason whatsoever, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

3. Any Trustee appointed under the provisions of this Section 809 in succession to the Trustee shall be a bank or trust company organized under the laws of any state or a national banking association and shall have capital stock, surplus and undivided earnings aggregating at least $100,000,000 if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

Section 810. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such

predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Authority or of the successor Trustee, execute, acknowledge and deliver such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property, rights, interests and estates held by it under this Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee.

Section 811. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

Section 812. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in this Resolution provided that the certificate of the Trustee shall have.

Section 813. Resignation or Removal of Paying Agent or Bond Registrar and Appointment of Successor. 1. Any Paying Agent or Bond Registrar may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least sixty (60) days prior written notice thereof to the Authority, the Trustee and the Paying Agent or Bond Registrar. Any Paying Agent or Bond Registrar may be removed by the Authority at any time by an instrument filed with such Paying Agent or Bond Registrar and the Trustee and signed by an Authorized Authority Representative. Any successor Paying Agent or Bond Registrar shall be appointed by the Authority with the approval of the Trustee and shall be a commercial bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock, surplus and undivided earnings aggregating at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

2. In the event of the resignation or removal of any Paying Agent or Bond Registrar, such Paying Agent or Bond Registrar shall pay over, assign and deliver any moneys held by it as Paying Agent or Bond Registrar to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent or Bond Registrar, the Trustee shall act as such Paying Agent or Bond Registrar.

ARTICLE IX

SUPPLEMENTAL RESOLUTIONS

Section 901. Supplemental Resolutions Effective Upon Filing With the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the Authority may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Authority Representative, shall be fully effective in accordance with its terms:

(1) To close this Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the Authority in this Resolution, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Resolution;

(3) To add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(4) To authorize Bonds of a Series and, in connection therewith, specify and determine, or delegate to an Authorized Authority Representative the power to specify and determine, the matters and things referred to in Section 202 and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(5) To authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of coupon Bonds and, in connection therewith, specify and determine the matters and things relative to the issuance of such coupon Bonds, including provisions relating to the timing and manner of provision of any notice required to be given hereunder to the Holders of such coupon Bonds, which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such coupon Bonds;

(6) To authorize, in compliance with all applicable law, Bonds to be issued in the form of Bonds issued and held in book-entry form on the books of the Authority, any Fiduciary or custodian appointed for that purpose by the Authority and, in connection therewith, make such additional changes herein, not adverse to the rights of the Holders of the Bonds, as are necessary or appropriate to accomplish or recognize such book-entry form Bonds, substitute for any such Fiduciary or custodian, provide for in, and amend any

provisions in, this Resolution relating to the giving of notice, and specify and determine the matters and things relative to the issuance of such book-entry form Bonds as are appropriate or necessary;

(7) Notwithstanding any other provisions of this Resolution, to authorize Bonds of a Series having terms and provisions different than the terms and provisions theretofore provided in this Resolution, including but not limited to provisions relating to the timing of the payment of interest, maturity amounts and valuation as of a given time, and authorizing the form of bond for such Series of Bonds; provided that the authorization and issuance of such Series of Bonds shall not in any manner impair or adversely affect the rights or security of the Bondholders under this Resolution;

(8) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution, of any moneys, securities or funds;

(9) To confirm, as further assurance, any pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, this Resolution of the Pledged Property and to pledge any additional revenues, moneys, securities or other agreements;

(10) To modify any of the provisions of this Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds adversely affected by such Supplemental Resolution Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, or (ii) unless such modification shall become effective prior to the authentication and delivery of the first Bond authorized to be issued pursuant to this Resolution, each Supplemental Resolution shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; and

(11) To modify any of the provisions of this Resolution in any respect whatever provided that the Authority obtains and delivers to the Trustee an opinion of Bond Counsel to the effect that such Supplemental Resolution does not adversely affect the holders of any Bonds that are Outstanding at the time such Supplemental Resolution is adopted.

Section 902. Supplemental Resolutions Effective Upon Consent of Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Authority Representative, and (ii) the filing with the Trustee and the Authority of instruments in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(2) To insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect.

Section 903. Supplemental Resolutions Effective With Consent of the Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders and in accordance with and subject to the provisions of Article X, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Authority Representative and upon compliance with the provisions of said Article X, shall become fully effective in accordance with its terms as provided in said Article X upon the filing with the Trustee of a copy thereof certified by an Authorized Authority Representative and upon compliance with the provisions of such Article X.

Section 904. General Provisions. 1. This Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article IX and Article X. Nothing contained in this Article IX or Article X shall affect or limit the right or obligation of the Authority to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 804 or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which elsewhere in this Resolution it is provided shall be delivered to said Fiduciary.

2. Any Supplemental Resolution referred to and permitted or authorized by Sections 901 and 902 may be adopted by the Authority without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution when filed with the Trustee shall be accompanied by an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms subject to any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally.

3. The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 901, 902 or 903 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

4. No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written consent.

ARTICLE X

AMENDMENTS

Section 1001. Mailing and Publication. 1. Any provision in this Article for the mailing of a notice or other matter to Bondholders by the Authority shall be fully complied with if it is mailed postage prepaid only to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of the Authority and to the Trustee. If the Bonds are rated by Moody's, S&P and Fitch, then the Authority shall give notice to the rating agency or agencies that rated the Bonds of any material amendments to this Resolution.

2. Any provision in this Article for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

Section 1002. Powers of Amendment. Any modification or amendment of this Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds hereunder in any particular, may be made by a Supplemental Resolution with the written consent, given as provided in Section 1003, of the Holders of at least fifty-one percent (51%) in principal amount of the Bonds Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written consent. The Trustee may in its discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular maturity would be affected by any modification or amendment of this Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds.

Section 1003. Consent of Bondholders. The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 1002 to take effect when and as provided in this Section 1003. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Authority to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section 1003 provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of the Holders of the percentages of Outstanding Bonds specified in Section 1002 and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of this Resolution, is authorized or permitted by this

Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, subject to any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally, and (ii) a notice shall have been given as hereinafter in this Section 1003 provided. The consent of the Holders of the Bonds shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1103. A certificate or certificates executed by the Trustee and filed with the Authority stating that it has examined such proof and that such proof is sufficient in accordance with Section 1103 shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 1103 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section 1003 provided for is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by this Section 1003. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Authority to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section 1003, may be given to Bondholders by the Authority by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section 1003 provided). The Authority shall file with the Trustee proof of the mailing thereof. A record, consisting of the certificates or statements required or permitted by this Section 1003 to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Fiduciaries and the Holders of all Bonds at the expiration of forty (40) days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that any Fiduciary and the Authority during such forty (40) day period and any such further period during which any such action or proceeding may be binding shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Section 1004. Modifications by Unanimous Consent. The terms and provisions of this Resolution and the rights and obligations of the Authority and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by

the Authority of a Supplemental Resolution and the consents of the Holders of all of the Bonds then Outstanding, such consents to be given as provided in Section 1003, except that no notice to Bondholders shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written consent of such Fiduciary of the Bondholders.

Section 1005. Exclusion of Bonds. Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article X, and the Authority shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Authority shall furnish the Trustee a certificate of an Authorized Authority Representative, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 1006. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article IX or this Article X provided may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the principal corporate trust office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If the Authority or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Authority to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same maturity then Outstanding, upon surrender of such Bonds.

ARTICLE XI

MISCELLANEOUS

Section 1101. Defeasance. 1. If, subject to the provisions set forth in the next succeeding sentence, the Authority shall pay or cause to be paid, or there shall otherwise be paid, to or for the account of the Holders of all Bonds the principal or Redemption Price of, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and in this Resolution, then the pledge of moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Authority to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and, the Fiduciaries shall pay over or deliver to the Authority all moneys or securities held by them pursuant to this Resolution which are not required for the payment of principal or Redemption Price of and interest on Bonds not theretofore surrendered for such payment or redemption. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Outstanding Bonds of a particular maturity or particular Bonds within a maturity, the principal, or Redemption Price of, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and all covenants, agreements and obligations of the Authority to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

2. Bonds or interest installments for the payment or redemption of which moneys or Defeasance Securities shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section. Subject to the provisions of subsection 3 through subsection 5 of this Section, any Outstanding Bonds shall, prior to the maturity date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section if (a) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, the principal of and the interest on which when due will provide moneys which shall be sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be and (b) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, instructions to mail as provided in Article IV hereof a notice to the Holders of such Bonds that the deposit required by (a) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 1101 and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of subsection 6 of this Section 1101, to be available for the payment of the principal or Redemption Price, if applicable, on said

Bonds, and (c) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, instructions to mail as provided in Article IV hereof notice of redemption of such Bonds (other than Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of redemption) on said date. Any notice of redemption mailed pursuant to the preceding sentence with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond. For purposes of this Section 1101, the term Defeasance Securities shall mean only direct obligations of, or obligations guaranteed by the United States of America, which are not subject to redemption prior to maturity. The Trustee shall, if so directed by the Authority prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1101 which are not to be redeemed prior to their maturity date or prior to the maturity date of any Bonds deemed to have been paid in accordance with this Section 1101 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect of such Bonds and redeem or sell Defeasance Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds so purchased; provided, however, that the moneys and Defeasance Securities remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient (as verified by an independent certified public accountant) to pay when due the Principal or Redemption Price of and interest due or to become due on all Bonds, in respect of which such moneys and Defeasance Securities are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be. If, at any time prior to the maturity date or redemption date of Bonds deemed to have been paid in accordance with this Section, the Authority shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date, the Trustee shall immediately cancel all such Bonds so delivered. Such delivery of Bonds to the Trustee shall be accompanied by directions from the Authority to the Trustee as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section. The directions given by the Authority to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section 1101 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section 1101 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section 1101, the amount on deposit with the Trustee in excess (as verified by an independent certified public accountant) of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Bonds in order to satisfy subclause (a) of this subsection 2 of this Section 1101, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Resolution. Except as otherwise provided in this subsection and in subsection 3 through subsection 5 of this Section, neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the

principal or Redemption of and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash will not be required (as verified by an independent certified public accountant) at any time for such purpose shall be paid over to the Authority, free and clear of any trust, lien or pledge securing said Bonds and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient (as verified by an independent certified public accountant) to pay when due the principal or Redemption Price of and interest to become due on said Bonds on or prior to such maturity date or redemption date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds.

3. If the Bonds are rated by Moody's, S&P and/or Fitch, then the Authority shall give notice to the rating agency or agencies that rated the Bonds of any defeasance of all or any of the Bonds.

Section 1102. Unclaimed Funds. Unless otherwise required by law, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, if such moneys were held by the Fiduciary at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority the Fiduciary shall, at the expense of the Authority, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

Section 1103. Evidence of Signatures of Bondholders and Ownership of Bonds. 1. Any request, consent, revocation of consent or other instrument which this Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds shall be sufficient for any purpose of this Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(a) The fact and date of the execution by any Bondholder or his attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take

acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature, guarantee, certificate or affidavit shall also constitute sufficient proof of his authority.

(b) The amount of Bonds transferable by delivery held by any person executing any instrument as a Bondholder, the date of his holding such Bonds, and the numbers and other identification thereof, may be proved by a certificate, which need not be acknowledged or verified, in form satisfactory to the Trustee, executed by the Trustee or by a member of a financial firm or by an officer of a bank, trust company, insurance company, or financial corporation or other depositary wherever situated, showing at the date therein mentioned that such person exhibited to such member or officer or had on deposit with such depositary the Bonds described in such certificate. Such certificate may be given by a member of a financial firm or by an officer of any bank, trust company, insurance company or financial corporation or depositary with respect to Bonds owned by it, if acceptable to the Trustee. In addition to the foregoing provisions, the Trustee may from time to time make such reasonable regulations as it may deem advisable permitting other proof of holding of Bonds transferable by delivery.

2. The ownership of Bonds registered otherwise than to bearer and the amount, numbers and other identification, and date of holding the same shall be provided by the registry books.

3. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Authority or any Fiduciary in accordance therewith.

Section 1104. Moneys Held for Particular Bonds. The amounts held by any Fiduciary for the payment of the interest or principal due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

Section 1105. Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of this Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

Section 1106. Parties Interest Therein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Authority, the Fiduciaries and the Holders of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this Resolution contained by and on behalf of

the Authority shall be for the sole and exclusive benefit of the Authority, the Fiduciaries and the Holders of the Bonds.

Section 1107. No Recourse on the Bonds. No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Resolution against any member or officer of the Authority or any person executing the Bonds.

Section 1108. Publication of Notice; Suspension of Publication. 1. Any publication to be made under the provisions of this Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in a different Authorized Newspaper.

2. If, because of the temporary or permanent suspension of the publication or general circulation of any Authorized Newspaper or for any other reason, it is impossible or impractical to publish any notice pursuant to this Resolution in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

Section 1109. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Resolution on the part of the Authority or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution.

Section 1110. Holidays. Except with respect to the computation of a Record Date, if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Resolution, shall be a legal holiday or a day on which banking institutions in the municipality in which is located the principal office of the Trustee or the operational office of the Authority are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Resolution, and no interest shall accrue for the period after such nominal date.

ARTICLE X

EFFECTIVE DATE

Section 1201. Effective Date. This Resolution shall take effect immediately upon its adoption in accordance with the Act.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

THIRD SUPPLEMENTAL HIGHER EDUCATION FACILITIES TRUST FUND RESOLUTION

Adopted August 13, 2014

A SUPPLEMENTAL RESOLUTION DETERMINING THE DETAILS OF UP TO $220,000,000 NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY HIGHER EDUCATION FACILITIES TRUST FUND BONDS, IN ONE OR MORE SERIES, AND PROVIDING FOR OTHER MATTERS IN CONNECTION THEREWITH

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THIRD SUPPLEMENTAL HIGHER EDUCATION FACILITIES TRUST FUND RESOLUTION

A SUPPLEMENTAL RESOLUTION DETERMINING THE DETAILS OF UP TO $220,000,000 NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY HIGHER EDUCATION FACILITIES TRUST FUND BONDS, IN ONE OR MORE SERIES, AND PROVIDING FOR OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, by resolution of the New Jersey Educational Facilities Authority (the "Authority") adopted November 15, 1995 and entitled "Higher Education Facilities Trust Fund General Bond Resolution" (the "General Bond Resolution"), the Authority has authorized the issuance of Higher Education Facilities Trust Fund Bonds of the Authority from time to time for the purposes set forth therein; and

WHEREAS, pursuant to the General Bond Resolution and a First Supplemental Higher Education Facilities Trust Fund Resolution adopted on November 15, 1995 (the "First Supplemental Resolution"), the Authority has heretofore issued its $220,000,000 Higher Education Facilities Trust Fund Bonds, Series 1995 A, none of which remain "Outstanding" under the General Bond Resolution; and

WHEREAS, pursuant to the General Bond Resolution and a Second Supplemental Higher Education Facilities Trust Fund Resolution adopted on March 24, 2004 and an Amended and Restated Second Supplemental Higher Education Facilities Trust Fund Resolution adopted on February 23, 2005 (as amended and restated, the "Second Supplemental Resolution"), the Authority has heretofore issued its $90,980,000 Higher Education Facilities Trust Fund Refunding Bonds, Series 2005 A, none of which remain "Outstanding" under the General Bond Resolution; and

WHEREAS, pursuant to the hereinafter-defined Act, on April 29, 2013, the Secretary of Higher Education of the State of New Jersey certified a list of approved projects (the "2013 Projects") to be funded through the issuance of bonds under the Act and submitted the 2013 Projects to the New Jersey Legislature for review pursuant to N.J.S.A. 18A:72A-54, and the statutory review period expired without the New Jersey Legislature adopting a concurrent resolution disapproving the 2013 Projects; and

WHEREAS, on September 24, 2013, the Authority adopted a resolution (as the same may be amended or supplemented, the "Grant Approval Resolution"), authorizing the execution of certain Grant Agreements to implement the funding of the 2013 Projects; and

WHEREAS, in accordance with the provisions of the General Bond Resolution, the Authority desires to (i) incorporate by reference, readopt and amend certain provisions of the General Bond Resolution, (ii) authorize the issuance and sale of its Higher Education Facilities Trust Fund Bonds, Series 2014 (the "Series 2014 Bonds"), in one or more series, for the purposes described herein and (iii) provide terms and conditions with respect to such bonds in

addition to those which have been previously established by the General Bond Resolution;

NOW, THEREFORE, BE IT RESOLVED by the New Jersey Educational Facilities Authority that the General Bond Resolution shall, in accordance with its terms and the terms hereof, be further amended and supplemented as follows:

ARTICLE I

INCORPORATION BY REFERENCE; DEFINITIONS AND AUTHORITY; AMENDMENTS TO GENERAL BOND RESOLUTION

Section 1.1 Incorporation of General Bond Resolution by Reference.

The General Bond Resolution, as heretofore supplemented and amended by the First Supplemental Resolution and the Second Supplemental Resolution, shall remain in full force and effect, except to the extent amended and supplemented by this Third Supplemental Resolution, and the provisions of the General Bond Resolution, the First Supplemental Resolution and the Second Supplemental Resolution are hereby incorporated by reference in this Third Supplemental Resolution with the same force and effect as if said provisions were included herein.

Section 1.2 Definitions.

Except as otherwise provided in this Section 1.2, all terms defined in Section 101 of the General Bond Resolution shall have the same meanings in this Third Supplemental Resolution as such terms are given in the General Bond Resolution, as amended by Section 1.4 hereof. The General Bond Resolution, the First Supplemental Resolution, the Second Supplemental Resolution and this Third Supplemental Resolution, together with the hereinafter-defined Series 2014 Certificate, shall be referred to herein collectively as the "Resolution." In addition, unless the context shall otherwise require, the following terms shall have the following respective meanings in this Third Supplemental Resolution:

"Act" shall mean the Higher Education Facilities Trust Fund Act (being Chapter 375 of the Laws of the State of 1993, as amended and supplemented by Chapter 146 of the Laws of the State of 1995, Chapter 308 of the Laws of the State of 2009 and Chapter 42 of the Laws of the State of 2012), which amended and supplemented the New Jersey Educational Facilities Authority Law (being Chapter 271 of the Laws of the State of 1967, as amended and supplemented), as the same may be amended and supplemented.

"Bid" shall have the meaning in the Notice of Sale.

"Continuing Disclosure Agreement" shall mean the Continuing Disclosure Agreement, by and among the Authority, the Treasurer and the Dissemination Agent named therein, relating to the Series 2014 Bonds, as the same may be amended from time to time.

"DTC" shall mean The Depository Trust Company, New York, New York.

"Notice of Sale" shall mean the Notice of Sale for the Series 2014 Bonds, authorized pursuant to Sections 2.8 and 4.1 of this Third Supplemental Resolution.

"Preliminary Official Statement" means the Preliminary Official Statement relating to the Series 2014 Bonds, authorized pursuant to Section 4.1 of this Third Supplemental Resolution.

"Series 2014 Bonds" shall mean not to exceed $220,000,000 aggregate principal amount of Higher Education Facilities Trust Fund Bonds, in one or more series, authorized pursuant to the General Bond Resolution and Article II of this Third Supplemental Resolution. If the designation of any Series 2014 Bonds is changed or supplemented pursuant to Sections 2.1 and/or 4.5(d) hereof, all references to such designations in this Third Supplemental Resolution shall be deemed to be changed to conform to such designation.

"Series 2014 Certificate" shall mean the Series Certificate executed by an Authorized Authority Representative as of the date of sale of the Series 2014 Bonds, including any supplements thereto or amendments thereof.

"Successful Bidder" shall have the meaning set forth in the Notice of Sale.

"Summary Notice of Sale" shall mean the Summary Notice of Sale for the Series 2014 Bonds, authorized pursuant to Sections 2.8 and 4.1 of this Third Supplemental Resolution.

"Third Supplemental Resolution" shall mean this Third Supplemental Higher Education Facilities Trust Fund Resolution adopted in connection with the issuance of the Series 2014 Bonds.

Section 1.3 Authority for This Third Supplemental Resolution.

This Third Supplemental Resolution is adopted pursuant to the provisions of the Act and the General Bond Resolution, including, but not limited to, Sections 901(3), 901(4), 901(6) and 901(10) thereof. All terms and provisions of the General Bond Resolution, as previously supplemented and amended by the First Supplemental Resolution and the Second Supplemental Resolution, are hereby declared to be in full force and effect. To the extent the General Bond Resolution, as supplemented and amended by the First Supplemental Resolution and the Second Supplemental Resolution, may be deemed to have been discharged prior to the adoption of this Third Supplemental Resolution, the General Bond Resolution, as supplemented and amended by the First Supplemental Resolution and the Second Supplemental Resolution, is hereby readopted with full force and effect from and as of the effective date of this Third Supplemental Resolution.

Section 1.4 Amendments to the General Bond Resolution.

(a) The definition of "Authorized Authority Representative" set forth in Section 101 (Definitions) of the General Bond Resolution is hereby amended to read as follows:

> **Authorized Authority Representative** shall mean the Chair, Vice Chair, Assistant Treasurer, Secretary, any Assistant Secretary, Executive Director, Deputy Executive Director, Director

of Project Management or Director of Risk Management, and any other person authorized by resolution to act on behalf of the Authority under the Resolution, and any such officers designated as "acting" or "interim".

(b) The definition of "Business Day" set forth in Section 101 (Definitions) of the General Bond Resolution is hereby amended to read as follows:

Business Day or **Business Days** shall mean any day that is not a Saturday, a Sunday or a legal holiday or State of Emergency Closure in the State or the State of New York, a day when the New York Stock Exchange is closed or a day on which the Trustee, the Bond Registrar or any Paying Agent is legally authorized to close.

(c) The definition of "Federal Securities" set forth in Section 101 (Definitions) of the General Bond Resolution is hereby deleted in its entirety.

(d) The definition of "Investment Agreement" set forth in Section 101 (Definitions) of the General Bond Resolution is hereby amended to delete therefrom the phrase "Moody's and S&P" and to insert in its place the phrase "any two Rating Agencies then rating the Bonds."

(e) The definition of "Investment Obligations" set forth in Section 101 (Definitions) of the General Bond Resolution is hereby amended to read as follows:

Investment Obligations shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds:

(i) Defeasance Securities;

(ii) Bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States to the extent such obligations are unconditionally guaranteed by the United States or another such agency the obligations (including guarantees) of which are unconditionally guaranteed by the United States;

(iii) Bonds, debentures, notes or other evidences of indebtedness issued by any corporation chartered by the United States, including, but not limited to, Governmental National Mortgage Association, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives,

Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Resolution Funding Corporation, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;

(iv) Negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, including a Fiduciary, which certificates of deposit shall be continuously secured or collateralized by obligations described in subparagraphs (i) or (ii) of this definition, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;

(v) Uncollateralized negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, the unsecured obligations of which are rated, at the time of purchase, in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies;

(vi) Repurchase agreements collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies, or any commercial bank with the above ratings, provided:

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction, which characterizes the transaction as a purchase and sale of securities,

(b) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $75,000,000 or (iii) a bank approved in writing for such purpose by each Financing Facility Provider, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or a successor provision in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of six months or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation,

(e) the repurchase agreement matures or may be drawn upon in full on or before an Interest Payment Date (or if held in a Fund other than the Debt Service Fund or the Debt Service Reserve Fund, other appropriate liquidation period), and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to the collateral levels established by a Rating Agency for the rating assigned by the Rating Agency to the seller;

(vii) Banker's acceptances, Eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided by subparagraphs (iv) and (v) above) of the domestic branches of foreign banks having a capital and surplus of $1,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, in the amount of $1,000,000,000; provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of Funds under this Resolution with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further that any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies;

(viii) Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State of New Jersey or which are legal investments for savings banks in the State of New Jersey;

(ix) Deposits in the New Jersey Cash Management Fund;

(x) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds;

(xi) Commercial paper with a maturity date not in excess of 270 days rated by the Rating Agencies at least equal to the applicable Series of Bonds and in no event lower than the "A" category established by a Rating Agency (which may include sub-categories indicated by a plus or minus or by numbers) at the

time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof;

(xii) Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is then rated in any of the three highest rating categories by each Rating Agency which is then rating the Bonds or money market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof which has a combined capital and surplus of not less than $75,000,000;

(xiii) Investment contracts (a) providing for the future purchase of securities of the type described in (i), (ii), (iii) and (viii) above, which contracts have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction or (b) the obligor under which or the guarantor thereof shall have a credit rating such that its long term debt is rated in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds;

(xiv) Investment Agreement; and

(xv) Any other investment approved in writing by the State Treasurer.

(f) The definition of "Public Institution of Higher Education" set forth in Section 101 (Definitions) of the General Bond Resolution is hereby amended to read as follows:

> **Public Institution of Higher Education** shall mean Rutgers, The State University of New Jersey, Rowan University of New Jersey, the New Jersey Institute of Technology, University Hospital (as a successor to the University of Medicine and Dentistry of New Jersey), the State colleges, the county colleges and any other public university or college now or hereafter established or authorized by law.

(g) The definition of "Rating Agency" set forth in Section 101 (Definitions) of the General Bond Resolution is hereby amended, in four instances (on each of the second, third, fourth and fifth lines thereof), by inserting in each instance the phrase "at the request of the Authority" after the phrase "assigned a rating to any Bonds".

(h) The definition of "Record Date" set forth in Section 101 (Definitions) of the General Bond Resolution is hereby amended to read as follows:

> **Record Date** shall mean (i) in the case of any Interest Payment Date falling on the 1st day of a month, the 15th day of the month next preceding such Interest Payment Date, (ii) in the case of any Interest Payment Date falling on the 15th day of a month, the 1st day of the month in which such Interest Payment Date occurs, and (iii) in all other cases or in the case of any Bonds bearing interest at a variable rate of interest, as shall be provided in the Series Certificate applicable to such Bonds.

(i) Section 101 (Definitions) of the General Bond Resolution is hereby amended to add thereto a new definition of "Defeasance Securities," to read as follows:

> **Defeasance Securities** shall mean (i) any direct and general obligations of, or any obligations unconditionally guaranteed by, the United States of America, including but not limited to interest obligations of the Resolution Funding Corporation or any successor thereof, (ii) any obligations of any state or political subdivision of a state ("Refunded Bonds") which are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of the Refunded Bonds, (iii) certificates of ownership of the principal or interest of direct and general obligations of, or obligations guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System, (iv) obligations described in clause (ii) of the definition of "Investment Obligations" and (v) obligations described in clause (x) of the definition of "Investment Obligations" which are rated, at the time of purchase, in the highest rating category, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds.

(j) Section 101 (Definitions) of the General Bond Resolution is hereby amended to add thereto a new definition of "Event of Non-Appropriation," to read as follows:

> **Event of Non-Appropriation** shall mean the failure by the New Jersey Legislature to appropriate funds to the Authority for any Fiscal Year in an amount sufficient to pay when due the Authority's Debt Service and Financing Facility Payment Obligations coming due in such Fiscal Year.

(k) Section 101 (Definitions) of the General Bond Resolution is hereby amended to add thereto a new definition of "Series Certificate," to read as follows:

> **Series Certificate** shall mean a certificate executed by an Authorized Authority Representative making certain determinations in connection with the issuance of a Series of Bonds pursuant to a Supplemental Resolution providing for, among other things, the issuance of such Series of Bonds. Each Series Certificate, upon execution and delivery, shall be deemed to be a part of the applicable Supplemental Resolution. Notwithstanding the provisions of Section 202(d) hereof, the Bonds may be awarded by any Authorized Authority Representative authorized to make such award in accordance with the applicable Supplemental Resolution, which award may be set forth in the Series Certificate or in a separate certificate of an Authorized Authority Representative.

(l) Section 303 (Execution of Bonds) of the General Bond Resolution is hereby amended by deleting from the first sentence thereof the phrase "its Chairman or Vice Chairman" and by inserting in its place the phrase "its Chair, Vice Chair or Executive Director."

(m) Section 404 (Selection of Bonds to be Redeemed) of the General Bond Resolution is hereby amended by deleting from the first sentence thereof the phrase "in such manner as the Trustee in its sole discretion may deem fair and appropriate" and by inserting in its place the phrase "using its customary procedures."

(n) Section 404 (Selection of Bonds to be Redeemed) of the General Bond Resolution is hereby further amended to insert at the end thereof a new sentence, to read as follows:

> In the case of any Bonds of a series and maturity subject to mandatory sinking fund redemption are called for redemption in part only, an Authorized Authority Representative may designate, with the consent of the State Treasurer, whether such partial redemption shall be credited against the principal amount due at maturity or against particular Sinking Fund Installments with respect to such Bonds.

(o) Section 405 (Notice of Redemption) of the General Bond Resolution is hereby amended to delete therefrom the second sentence thereof (beginning with "Such notice shall further state that . . . ."), and to insert in its place two new sentences, to read as follows:

> Any notice of redemption (other than mandatory sinking fund redemption) may specify that the redemption is contingent upon the deposit of moneys with the Trustee in an amount sufficient to pay the Redemption Price of all Bonds or portions thereof which are to be redeemed on such date. Such notice shall further state

> that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of a specified portion of the principal amount thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date (unless the notice stated that the redemption is contingent upon the deposit of funds and such deposit has not been made) interest thereon shall cease to accrue and be payable.

(p) Paragraph 1 of Section 504 (Application of the Trust Fund) of the General Bond Resolution is hereby amended to read as follows:

> 1. The Trustee shall pay costs of issuance of any Bonds and administrative costs associated with the approval process from the Trust Fund at the direction of the Authority.

(q) Section 504 is hereby amended to add following Paragraph 4 thereof a new paragraph 5, to read as follows:

> 5. As soon as reasonably practicable following receipt of such funds following a non-payment of Debt Service resulting from the occurrence of an Event of Non-Appropriation, the Trustee shall withdraw from the Trust Fund and make the payments into the Debt Service Fund and/or the Sinking Fund in an amount equal to any such unpaid Debt Service on the applicable Bonds.

(r) Existing Paragraph 5 of Section 504 (Application of the Trust Fund) of the General Bond Resolution is hereby renumbered as Paragraph 6 and amended to read as follows:

> 6. Any amount on deposit in the Trust Fund, derived from State appropriations made for the purpose of paying Debt Service on the Bonds, not required for the purpose of paying such Debt Service or making transfers to the Debt Service Fund or the Sinking Fund for such purpose, shall be promptly withdrawn from the Trust Fund and paid to the State Treasurer. Any other amounts on deposit in the Trust Fund not required for the purposes of the Trust Fund may be withdrawn from the Trust Fund and paid by the Trustee to the Authority as the Authority so directs in writing consistent with the Act.

(s) Paragraph 5 of Section 505 (Application and Investment of Debt Service Fund) of the General Bond Resolution is hereby renumbered as Paragraph 7, and said Section 505 is hereby amended to add thereto, before said renumbered Paragraph 7, new Paragraphs 5 and 6, to read as follows:

5. Notwithstanding the foregoing, as soon as reasonably practicable following receipt of any funds pursuant to paragraph 5 of Section 504 hereof, the Trustee shall withdraw such amount from the Debt Service Fund and shall cause the same to be deposited with the Paying Agent, who shall apply such amounts to the payment of such unpaid Debt Service on the applicable Bonds.

6. Any amount on deposit in the Debt Service Fund, derived from State appropriations made for the purpose of paying Debt Service on the Bonds, not required for the purpose of paying such Debt Service, shall be promptly withdrawn from the Debt Service Fund and paid to the State Treasurer.

(t) Paragraph 9 of Section 506 (Application and Investment of Sinking Fund) of the General Bond Resolution is hereby renumbered as Paragraph 11, and said Section 506 is hereby amended to add thereto, before said renumbered Paragraph 11, new Paragraphs 9 and 10, to read as follows:

9. Notwithstanding the foregoing, as soon as reasonably practicable following receipt of any funds pursuant to paragraph 5 of Section 504 hereof, the Trustee shall withdraw such amount from the Sinking Fund and shall cause the same to be deposited with the Paying Agent, who shall apply such amounts to the payment of such unpaid Debt Service on the applicable Bonds.

10. Any amount on deposit in the Sinking Fund, derived from State appropriations made for the purpose of paying Debt Service on the Bonds, not required for the purpose of paying such Debt Service, shall be promptly withdrawn from the Sinking Fund and paid to the State Treasurer

(u) Section 507 (Application and Investment of Rebate Fund) of the General Bond Resolution is hereby amended to delete paragraph 2 and to replace same with new paragraphs 2 and 3, to read as follows:

2. The Authority and the Trustee shall deposit amounts in the Rebate Fund, and the Trustee shall apply such amounts to make payments to the United States pursuant to Section 148 of the Code, at the times and in the amounts set forth in the arbitrage and tax certificate or similar certificates delivered in connection with each Series of Bonds or as otherwise advised in writing by Bond Counsel.

3. The Trustee shall, at the written direction of the Authority, withdraw from and pay out of the Rebate Fund, any amount which is then on deposit in the Rebate Fund in excess of the amount which is then reasonably required, in the opinion of the

Authority, to be reserved for payment to the United States in respect of such Bonds pursuant to Section 148 of the Code. All amounts which are so withdrawn by the Trustee from the Rebate Fund shall forthwith upon withdrawal be paid and/or deposited in accordance with the written direction of the Authority.

(v) Section 605 (Tax Covenant) of the General Bond Resolution is hereby deleted in its entirety.

(w) Section 701 (Events of Default) of the General Bond Resolution is hereby amended by deleting therefrom the two paragraphs of text following subparagraph (iii), and to insert in its place a new paragraph, to read as follows:

NOTWITHSTANDING ANYTHING CONTAINED IN THIS SECTION 701 TO THE CONTRARY, A FAILURE BY THE AUTHORITY TO PAY WHEN DUE ANY PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON ANY BONDS REQUIRED TO BE MADE UNDER THIS RESOLUTION OR THE BONDS, OR A FAILURE BY THE AUTHORITY TO OBSERVE AND PERFORM ANY COVENANT, CONDITION OR AGREEMENT ON ITS PART TO BE OBSERVED OR PERFORMED UNDER THIS RESOLUTION OR THE BONDS, RESULTING FROM THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION, SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THIS SECTION 701.

(x) Section 702 (Application of Funds) of the General Bond Resolution is hereby amended by deleting therefrom the existing text in its entirety, and to insert in its place an entirely new Section 702, to read as follows:

Section 702. Application of Funds after an Event of Default; Application of Funds after an Event of Non-Appropriation.

(a) Application of Funds After an Event of Default: If an Event of Default has occurred and is continuing, the Trustee shall apply all moneys, securities and funds received by the Trustee pursuant to any right given or action taken under the provisions of this Article VII together with all Funds held by the Trustee under this Resolution as follows and in the following order:

(i) Expenses of Fiduciaries -- to the payment of the reasonable and proper fees (including reasonable attorneys' fees), charges, expenses and liabilities of the Fiduciaries.

(ii) Principal and Interest -- to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

First: Interest -- To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal -- To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(iii) If any amounts remain after all payments under paragraphs (i) and (ii) have been made, the balance shall be paid to the State Treasurer.

If and whenever all Events of Default under Section 701 shall be cured to the satisfaction of the Trustee and all amounts due and payable to the Bondholders and the Trustee have been paid or provision deemed to be adequate by the Trustee for such cure or payment shall be made, the Authority and the Trustee shall be restored, respectively, to their former positions and rights with respect to Bonds under this Resolution. No such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

(b) Application of Funds after Event of Non-Appropriation: From and after the occurrence of an Ev ent of Non-Appropriation, and provided that there shall not have occurred and then be continuing any Event of Default, all applicable moneys, securities and funds received by the Trustee shall be applied as follows and in the following order:

(i) Expenses of Fiduciaries -- to the payment of the reasonable and proper fees (including reasonable attorneys' fees), charges, expenses and liabilities of the Fiduciaries.

(ii) Principal and Interest -- to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

First: Interest -- To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Second: Principal -- To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(iii) If any amounts remain after all payments under paragraphs (i) and (ii) have been made, the balance shall be paid to the State Treasurer.

If and whenever all amounts due and payable to the Bondholders and the Trustee as a result of an Event of Non-Appropriation have been paid or provision deemed to be adequate by the Trustee for such payment shall be made, the Authority and the Trustee shall be restored, respectively, to their former positions and rights with respect to the Bonds under this Resolution. No such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent Event of Non-Appropriation or impair any right consequent thereon.

(y) Clause (11) of Section 901 (Supplemental Resolutions Effective Upon Filing With the Trustee) of the General Bond Resolution is hereby renumbered as Clause (12), and said Section 901 is hereby amended to add thereto, before said renumbered Clause (12), a new Clause (11), to read as follows

(11) To make such changes in connection with the issuance of a Financing Facility in support of any Bonds as may be

required to provide for application of the applicable Financing Facility Revenues and the security and payment of the applicable Financing Facility Payment Obligations on either a parity or subordinate basis vis-à-vis Debt Service.

(z) Paragraph 2 of Section 1101 (Defeasance) of the General Bond Resolution is hereby amended by deleting therefrom the fourth sentence thereof (beginning with "For purposes of this Section 1101, the term Defeasance Securities shall mean . . . .").

ARTICLE II

AUTHORIZATION, TERMS AND SALE OF SERIES 2014 BONDS

Section 2.1 Authorization for Series 2014 Bonds; Principal Amount, Designation and Series.

The Series 2014 Bonds, in one or more series, are authorized to be issued pursuant to the provisions of the Act, the General Bond Resolution and this Third Supplemental Resolution. The Series 2014 Bonds shall be issued in the aggregate principal amount not to exceed $220,000,000 and shall be designated "Higher Education Facilities Trust Fund Bonds, Series 2014," with such additional series designation or designations as may be determined by an Authorized Authority Representative in the Series 2014 Certificate. The Series 2014 Bonds may be issued as tax-exempt governmental bonds, tax-exempt qualified 501(c)(3) bonds or taxable bonds, or a combination thereof, all as shall be determined by an Authorized Authority Representative in the Series 2014 Certificate.

Section 2.2 Purpose.

The Series 2014 Bonds shall be issued for the purposes of the General Bond Resolution and this Third Supplemental Resolution, specifically to: (i) provide funds to make Grants to Public Institutions of Higher Education and Private Institutions of Higher Education within the State in accordance with the Act; and (ii) pay the costs of issuing the Series 2014 Bonds.

Section 2.3 Dates, Maturities and Interest Rates.

The principal amounts, interest rate or rates, dated dates, Interest Payment Dates, Record Dates, redemption provisions and maturity provisions with respect to the Series 2014 Bonds shall be as determined by the Authorized Authority Representative in accordance with Section 4.5(d) of this Third Supplemental Resolution, implementing the results of the competitive sale authorized by Section 2.8 of this Third Supplemental Resolution (and any adjustments made by an Authorized Authority Representative in accordance with the Notice of Sale), by a Series Certificate executed by any one such Authorized Authority Representative and approved in writing by the State Treasurer; provided, however, that (i) the final maturity of the Series 2014 Bonds shall not be later than fifteen (15) years from the date of issuance; (ii) the true interest cost of the Series 2014 Bonds issued as tax-exempt Bonds shall not exceed six percent (6.00%) per annum, and the true interest cost of the Series 2014 Bonds issued as taxable Bonds shall not exceed seven percent (7.00%) per annum; (iii) the purchase price paid for each series of the Series 2014 Bonds by the Successful Bidder shall not be less than 101% (or such higher percentage as may be needed to provide for the purposes described in Section 2.2 hereof), nor more than 115% (or such lesser percentage as may be set forth in the Notice of Sale) of the aggregate principal amount of such series of Series 2014 Bonds; and (iv) the redemption provisions shall be as set forth in Section 2.4 hereof, subject to modification as provided in the Notice of Sale.

Section 2.4. Redemption Provisions.

(a) Optional Redemption. The Series 2014 Bonds of each series maturing on or after such date(s) as shall be specified in the Notice of Sale shall be subject to redemption, in whole or in part (and if in part, in the maturities selected by the Authority), prior to maturity on or after such date(s) as shall be specified in the Notice of Sale, at the option of the Authority upon the consent of the State Treasurer, at a price of one hundred percent (100%) of the principal amount thereof (the "Redemption Price") and accrued interest thereon to the date fixed for redemption. If the Authority opts to redeem less than all of a maturity of Series 2014 Bonds, the specific Series 2014 Bonds to be redeemed within a maturity shall be determined at random by the Trustee using its customary procedures.

(b) Mandatory Sinking Fund Redemption. If the Successful Bidder chooses the "Term Bond Option" in accordance with the Notice of Sale authorized by Section 2.8 hereof, the term maturity(ies) of the Series 2014 Bonds will be subject to mandatory sinking fund redemption prior to their stated maturity, through selection by the Trustee at random, using its customary procedures, and upon the giving of notice as provided in the Resolution, at a redemption price of one hundred percent (100%) of the principal amount thereof and accrued interest thereon to the date fixed for redemption, from moneys deposited in the Sinking Fund established under the Resolution, such redemptions to occur on such date as shall be specified in the Notice of Sale in the years designated by the Successful Bidder in its Bid as sinking fund installment due dates. The principal amount of the Series 2014 Bonds otherwise required to be redeemed may be reduced by the principal amount of such Series 2014 Bonds theretofore purchased by the Trustee at the direction of the Authority out of moneys deposited for such purposes in the Debt Service Fund or the Sinking Fund. Any such sinking fund installments elected by the Successful Bidder shall be recited in the Series 2014 Certificate.

(c) Notice of Redemption. Notice of Redemption shall be given at the times and in the manner as set forth in the Section 405 of the General Bond Resolution.

Section 2.5 Appointment of Trustee, Paying Agent, Bond Registrar and Dissemination Agent.

The Bank of New York Mellon, Woodland Park, New Jersey, is hereby appointed to serve as (i) Trustee under the Resolution and Paying Agent and Bond Registrar for the Series 2014 Bonds and (ii) Dissemination Agent under the Continuing Disclosure Agreement. Such appointment shall become effective upon execution and delivery to the Authority of an acceptance thereof.

Section 2.6 Place of Payment.

The principal of the Series 2014 Bonds shall be payable at the designated corporate trust office of the Trustee, as Paying Agent. Interest on the Series 2014 Bonds shall be payable by (i) check or draft mailed by the Trustee, as Paying Agent, to the registered owners thereof as the same appear as of the Record Date on the registration books of the Authority maintained by the

Trustee, as Bond Registrar, or (ii) by electronic transfer in immediately available funds, if the Series 2014 Bonds are held by a securities depository in accordance with Section 2.7 of this Third Supplemental Resolution, or at the written request addressed to the Trustee by any holder of Series 2014 Bonds in the aggregate principal amount of at least $1,000,000, such request to be signed by such holder, containing the name of the bank (which shall be in the continental United States), its address, its ABA routing number, the name and account number to which credit shall be made and an acknowledgment that an electronic transfer fee is payable, and to be filed with the Trustee no later than ten (10) Business Days before the applicable Record Date preceding such Interest Payment Date.

Section 2.7 The Depository Trust Company.

(a) Except as provided in subparagraph (e) of this Section 2.7, the registered Owner of all of the Series 2014 Bonds shall be, and the Series 2014 Bonds shall be registered in the name of, Cede & Co. ("Cede") as nominee of DTC. With respect to all Series 2014 Bonds for which Cede shall be the registered Owner, payment of semiannual interest on such Series 2014 Bonds shall be made in the manner specified by DTC.

(b) The Series 2014 Bonds shall be initially issued in the form of a separate fully registered bond in the amount of each separate series and maturity of the Series 2014 Bonds. Upon initial issuance, the ownership of each such Series 2014 Bond shall be registered in the registration books of the Authority kept by the Bond Registrar in the name of Cede, as nominee of DTC. No beneficial owners will receive certificates representing their respective interests in the Series 2014 Bonds, except in the event the Trustee issues replacement bonds as provided in paragraph (e) below. With respect to Series 2014 Bonds so registered in the name of Cede, the Authority and the Trustee shall have no responsibility or obligation to any DTC participant, indirect DTC participant, or any beneficial owner of such Series 2014 Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC participant or indirect DTC participant with respect to any beneficial ownership interest in the Series 2014 Bonds, (ii) the delivery to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede, of any notice with respect to such Series 2014 Bonds, or (iii) the payment to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede, of any amount with respect to the principal or Redemption Price of or interest on such Series 2014 Bonds. The Authority and the Trustee may treat DTC as, and deem DTC to be, the absolute registered Holder of each such Series 2014 Bond for the purpose of (i) payment of the principal or Redemption Price of and interest on each such Series 2014 Bond, (ii) giving notices with respect to such Series 2014 Bonds, (iii) registering transfers with respect to the Series 2014 Bonds and (iv) for all other purposes whatsoever. The Trustee shall pay the principal or Redemption Price of and interest on such Series 2014 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal, redemption premium, if any, and interest to the extent of the sum or sums so paid. No person other than DTC shall receive a Bond certificate evidencing the obligation of the Authority to make payments of principal thereof, redemption premium, if any, and interest thereon pursuant

to the Resolution and this Third Supplemental Resolution. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" in this Resolution shall refer to such new nominee of DTC.

(c) DTC may determine to discontinue providing its services with respect to all or any portion of the Series 2014 Bonds at any time by giving written notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Upon receipt of such notice, the Authority shall promptly deliver a copy of same to the Trustee.

(d) The Authority, (i) in its sole discretion and without the consent of any other person, may discontinue the use of the system of book-entry only transfers through DTC (or a successor depository) with respect to the Series 2014 Bonds, in which event certificates for such Series 2014 Bonds are required to be printed and delivered to DTC and (ii) shall terminate the services of DTC with respect to such Series 2014 Bonds upon receipt by the Authority and the Trustee of written notice from DTC to the effect that DTC has received written notice from DTC participants or indirect DTC participants having interests, as shown in the records of DTC, of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Series 2014 Bonds so registered in the name of Cede to the effect that (A) DTC is unable to discharge its responsibilities with respect to such Series 2014 Bonds or (B) a continuation of the requirement that all such Outstanding Series 2014 Bonds be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, is not in the best interest of the beneficial owners of such Series 2014 Bonds.

(e) Upon discontinuance or termination of the services of DTC with respect to all or a portion of the Series 2014 Bonds or upon the discontinuance or termination of the services of DTC with respect to all or any portion of such Series 2014 Bonds after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, such Series 2014 Bonds (or the applicable portion thereof) shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging such Series 2014 Bonds shall designate, in accordance with the provisions of the Resolution and this Third Supplemental Resolution. Upon the determination by any party authorized herein that such Series 2014 Bonds (or any portion thereof) shall no longer be registered in the name of Cede, the Authority shall immediately advise, or cause DTC to advise, the Trustee in writing of the procedures for transfer of such Series 2014 Bonds to new registered Holders, whereupon the Trustee shall register in the name of, and authenticate and deliver replacement Series 2014 Bonds to, the beneficial owners or their nominees in principal amounts representing the interest of each. The Trustee may rely on information from Authority or from DTC and its participants as to the names, addresses, taxpayer identification numbers of and principal amounts held by the beneficial owners of the Series 2014 Bonds.

Notwithstanding any other provision of the Resolution or this Third Supplemental Resolution to the contrary, so long as any portion of the Series 2014 Bonds is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal or Redemption

Price of and interest on, and all notices with respect to, such Series 2014 Bonds shall be made and given to DTC as provided in the Blanket Letter of Representations of the Authority, addressed to DTC, with respect to such Series 2014 Bonds.

(f) In connection with any notice or other communication to be provided to Bondholders pursuant to the Resolution or this Third Supplemental Resolution by the Authority or the Trustee with respect to any consent or other action to be taken by Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

(g) Any substitute securities depository hereunder shall be a registered clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulations that operates a securities depository upon reasonable and customary terms.

(h) The Authority hereby authorizes the State Treasurer, on behalf of the Authority and in consultation with an Authorized Authority Representative, to determine from time to time, subject to confirmation and ratification by the Authority, whether or not it is advisable for the Authority to continue the book-entry only system for the Series 2014 Bonds or to replace DTC with another qualified securities depository as successor to DTC.

Section 2.8 Sale and Delivery of the Series 2014 Bonds.

(a) A competitive sale of the Series 2014 Bonds is hereby authorized. On such date or dates and at such time as shall be selected by an Authorized Authority Representative, electronic bids shall be received and considered for the purchase of one or more series of the Series 2014 Bonds, to be dated and mature as required herein and substantially as contained in the forms of the Notice of Sale presented to this meeting (the "Notice of Sale"), with such changes, insertions and omissions to such provisions as an Authorized Authority Representative may approve, in consultation with Bond Counsel and the State Attorney General. An Authorized Authority Representative is hereby authorized, on behalf of the Authority, to cause the Notice of Sale or a summary thereof (the "Summary Notice of Sale") to be distributed and published prior to the date of bidding at least once in The Bond Buyer, a publication carrying municipal bond notices and devoted primarily to financial news published in the City of New York. An Authorized Authority Representative is authorized to accept financial surety bonds, as well as bank checks and federal funds wires, for purposes of satisfying the Deposit (as defined in the Notice of Sale) requirement, all as set forth in the Notice of Sale.

(b) An Authorized Authority Representative is hereby authorized to conduct the sale in accordance with the Notice of Sale as published and distributed, and to make such adjustments and take such actions as authorized therein. The results of the sale (including any adjustments) shall be recited in a certificate of an Authorized Authority Representative, and any determinations made therein shall be final and conclusive as to the purchaser or purchasers of the Series 2014 Bonds, the principal amounts and maturities thereof, the rates of interest per annum to be borne thereby, the purchase price thereof and any other terms and details relating to the sale

and issuance of the Series 2014 Bonds.

(c) The Notice of Sale shall contain a maturity schedule estimated to produce substantially level annual debt service payments for each series of Series 2014 Bonds for each Fiscal Year, except for a Fiscal Year in which the first or last payment on a series is the only payment made for that series during that Fiscal Year. The Series 2014 Bonds shall be awarded to the bidder offering to purchase such bonds at the lowest true interest cost as provided in the Notice of Sale. An Authorized Authority Representative may adjust the Bid of the Successful Bidder in accordance with the Notice of Sale, including to generate substantially level debt service payments for each Fiscal Year.

(d) An Authorized Authority Representative is hereby authorized and directed to deliver the Series 2014 Bonds to the Trustee for authentication and, after authentication, to deliver the Series 2014 Bonds to the purchaser or purchaser thereof against receipt of the purchase price or the unpaid balance thereof, and to approve, execute and deliver all documents and instruments required in connection therewith, with such changes, omissions, insertions and revisions as shall be deemed necessary or advisable by the Authorized Authority Representative executing same.

ARTICLE III

FORM OF SERIES 2014 BONDS

Section 3.1 Denominations, Numbers and Letters.

The Series 2014 Bonds may be issued in the denominations of $5,000 or any integral multiple thereof not exceeding the maximum amount of each stated maturity. Each Series 2014 Bond shall be identified by the letter "R" and the number of such Series 2014 Bond and shall be numbered consecutively from 1 upwards.

Section 3.2 Form of Series 2014 Bonds and Trustee's Certificate of Authentication.

The form of the Series 2014 Bonds and the Trustee's Certificate of Authentication therefor shall be of substantially the form set forth below, with necessary or appropriate variations, omissions and insertions as permitted or required hereby:

[Form of Series 2014 Bond]

Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO., or any other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to CEDE & CO., or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, CEDE & CO, has an interest herein.

NEITHER THE STATE OF NEW JERSEY (THE "STATE") NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR AND OTHER FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE RESOLUTION. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

R-__

UNITED STATES OF AMERICA

STATE OF NEW JERSEY

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

HIGHER EDUCATION FACILITIES TRUST FUND BONDS, SERIES 2014

REGISTERED OWNER:	CEDE & CO.
PRINCIPAL SUM:	$_____
INTEREST RATE:	___%
MATURITY DATE:	JUNE 15, 20__
DATED DATE:	_____, 2014
CUSIP:	_____

The **NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY** (the "Authority"),

a body corporate and politic with corporate succession, constituting a political subdivision organized and existing under and by virtue of the laws of the State of New Jersey (the "State"), acknowledges itself indebted and for value received hereby promises to pay to the Registered Owner named above, or registered assigns, on the Maturity Date stated above, upon presentation and surrender of this bond at the designated corporate trust office of the Trustee hereinafter mentioned, in lawful money of the United States of America, the Principal Sum set forth above and to pay interest thereon until the Principal Sum is paid from the most recent interest payment date next preceding the date of authentication hereof, unless the date of authentication hereof is an interest payment date, in which case from the date of authentication hereof, or unless the date of authentication hereof is prior to the first interest payment, in which case from the Dated Date or unless the date of authentication hereof is between a record date for such interest, which shall be the first (1st) day (whether or not a business day) of the calendar month in which an interest payment date occurs (the "Record Date"), and the next succeeding interest payment date, in which case from such interest payment date, at the Interest Rate stated above, payable June 15, 2015, and semi-annually thereafter on the fifteenth day of June and December of each year. Payment of the interest on this bond shall be made to the person whose name appears as the registered owner thereof on the registration books of the Authority, which shall be kept at the corporate trust office of the Trustee hereinafter mentioned, as of the close of business on the Record Date. Interest shall be paid by (i) check or draft mailed to the registered owner hereof at its address as it shall appear on such registration books or (ii) by electronic transfer in immediately available funds, if this bond is held by a securities depository, or at the written request of a holder filed with the Trustee not later than ten (10) Business Days before the applicable Record Date preceding such interest payment date. The principal of this bond is payable upon surrender at the designated corporate trust office of The Bank of New York Mellon, Woodland Park, New Jersey, the Trustee, Paying Agent and Bond Registrar. However, so long as the Bonds (as hereinafter defined) are registered in the name of Cede, the procedures of The Depository Trust Company ("DTC") shall govern repayment of principal of and interest on the Bonds.

This bond is one of a duly authorized issue of bonds of the Authority designated "New Jersey Educational Facilities Authority Higher Education Facilities Trust Fund Bonds, Series 2014" (the "Bonds"), which have been duly issued by the Authority under and pursuant to the laws of the State of New Jersey, particularly the Higher Education Facilities Trust Fund Act (being Chapter 375 of the Laws of the State of 1993, as amended and supplemented by Chapter 146 of the Laws of the State of 1995, Chapter 308 of the Laws of the State of 2009 and Chapter 42 of the Laws of the State of 2012), which amended and supplemented the New Jersey Educational Facilities Authority Law (being Chapter 271 of the Laws of the State of 1967, as amended and supplemented) (hereinafter, collectively called the "Act") and pursuant to the Higher Education Facilities Trust Fund General Bond Resolution adopted by the Authority on November 15, 1995, as amended and supplemented including by the Third Supplemental Higher Education Facilities Trust Fund Resolution adopted by the Authority on August 13, 2014 and by a Series 2014 Certificate dated as _____, 2014 (hereinafter, collectively called the "Resolution"). This bond and the issue of which it is a part is a special and limited obligation of the Authority payable from and secured by a pledge of and lien on the Revenues (as defined in the Resolution) and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the Resolution except the Rebate Fund or which are held in any

funds which are established and created under the Resolution, equally and ratably with all other Bonds of this issue and any additional bonds to be issued as permitted by the Resolution. The payment of the principal or Redemption Price of and interest on this bond is to be derived from payments made by the State to the Authority pursuant to the Act and amounts held under the Resolution. **ALL AMOUNTS PAID TO THE AUTHORITY TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE BONDS ARE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE NEW JERSEY STATE LEGISLATURE (THE "STATE LEGISLATURE") FOR SUCH PURPOSE. THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS.**

NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL AND LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES AND OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE RESOLUTION AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE RESOLUTION FOR THE PAYMENT OF THIS BOND. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Reference to the Resolution and any and all resolutions supplemental thereto and any modifications and amendments thereof and to the Act is made for a description of the nature and extent of the security for the Bonds, the funds pledged for the payment thereof, the nature, manner and extent of the enforcement of such pledge, the rights and remedies of the holders of the Bonds with respect thereto, the terms and conditions upon which the Bonds are issued and upon which they may be issued thereunder, and a statement of the rights, duties, immunities and obligations of the Authority and of the Trustee. Certified copies of the Resolution and the resolutions supplemental thereto are on file in the designated corporate trust office of the Trustee and in the office of the Authority.

This bond is one of an authorized issue of $_____ (the "Bonds"), all of like date and tenor except as to number, interest rate, maturity date, and denomination, issued to provide funds to make Grants to Public Institutions of Higher Education and Private Institutions of Higher Education within the State pursuant to the Act and to pay the costs of issuing the Bonds.

Pursuant to the Resolution, the Authority may hereafter issue additional bonds (herein called "Additional Bonds") for the purposes, in the amounts and on the conditions prescribed in the Resolution. All bonds issued and to be issued under the Resolution, including Additional Bonds, are and will be equally secured by the pledge of funds and Revenues provided in the Resolution except as otherwise provided in or pursuant to the Resolution. The aggregate

principal amount of Bonds and Additional Bonds which may be outstanding at any one time, exclusive of refunding bonds, may not exceed $220,000,000.

The Bonds maturing on or after June 15, 2025 are subject to redemption, in whole or in part (and if in part, in the maturities selected by the Authority), prior to maturity on or after June 15, 2024, at the option of the Authority, upon the consent of the State Treasurer, at a price of one hundred percent (100%) of the principal amount thereof (the "Redemption Price") and accrued interest thereon to the date fixed for redemption. If the Authority opts to redeem less than all of a maturity of Bonds, the specific Bonds to be redeemed within a maturity shall be determined at random by the Trustee using its customary procedures.

[The Bonds maturing on June 15, 20__ and June 15, 20__ are subject to mandatory sinking fund redemption prior to their stated maturity, on June 15 in the years and in the amounts set forth in the table below, through selection by the Trustee at random, in such manner as the Trustee may deem fair and appropriate, and upon the giving of notice as provided in the Resolution, at a redemption price of one hundred percent (100%) of the principal amount thereof and accrued interest thereon to the date fixed for redemption, from moneys deposited in the Sinking Fund established under the Resolution:

Bonds Maturing June 15, 20__		Bonds Maturing June 15, 20__	
Year	Amount	Year	Amount
	*		*

* Final maturity.]

If the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds and if less than all of the Bonds of a maturity are called for prior redemption, the particular Bonds or portions thereof to be redeemed shall be selected in accordance with DTC procedures.

A notice of redemption shall be given at least once not less than thirty days nor more than sixty days prior to the redemption date. Any notice of redemption (other than mandatory sinking fund redemption) may specify that the redemption is contingent upon the deposit of moneys with the Trustee in an amount sufficient to pay the Redemption Price of all Bonds or portions thereof which are to be redeemed on that date. The Trustee shall mail a copy of such notice, postage prepaid, not less than thirty days prior to such redemption date, to the Registered Owner of any Bonds all or a portion of which are to be redeemed, at his last address, if any, appearing upon the registration books of the Authority held by the Registrar. If notice of redemption shall have been given as aforesaid, the Bonds which are specified in said notice shall become due and payable at

the applicable Redemption Price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the Redemption Price of all of the Bonds which are to be redeemed, together with interest accrued thereon to the redemption date, shall be available for such payment on said date, then from and after the redemption date (unless the notice stated that the redemption is contingent upon the deposit of funds and such deposit has not been made), interest on such Bonds shall cease to accrue and become payable to the holders who are entitled to receive payment thereof upon such redemption.

So long as DTC is acting as securities depository for the Bonds, all notices of redemption required to be given to the registered owners of the Bonds will be given to DTC.

To the extent and in the respects permitted by the Resolution, the provisions of the Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended by action taken on behalf of the Authority in the manner and subject to the conditions and exceptions which are set forth in the Resolution. The pledge of moneys and securities and other obligations of the Authority under the terms of the Resolution may be discharged at or prior to the maturity of the Bonds upon the making of provision for the payment thereof on the terms set forth in the Resolution.

This bond is transferable, as provided in the Resolution, only upon the registration books of the Authority which are kept and maintained for that purpose at the designated corporate trust office of the Bond Registrar, or its successor as Bond Registrar, by the Registered Owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer which is satisfactory to the Bond Registrar and which is duly executed by the Registered Owner or by such duly authorized attorney, together with the required signature guarantee, and thereupon the Authority shall issue in the name of the transferee a new registered bond or bonds, of the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered bond as provided in the Resolution, upon payment of the charges therein prescribed. The Authority, the Trustee, the Bond Registrar and any Paying Agent of the Authority may treat and consider the person in whose name this bond is registered as the Holder and absolute owner of this bond for the purpose of receiving payment of the principal of and interest due thereon and for all other purposes whatsoever.

In case an Event of Default, as defined in the Resolution, shall occur, the principal of this bond may be declared due and payable in the manner and with the effect provided in the Resolution.

No recourse shall be had for the payment of the principal of or interest on this bond against any member or officer of the Authority, or any person executing this bond, all such liability, if any, being hereby expressly waived and released by every registered owner of this bond by the acceptance hereof and as a part of the consideration hereof, as provided in the Resolution.

THE BOND SHALL NOT, IN ANY WAY, BE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) AND

SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION), OR BE OR CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF.

Payment of the Bonds is dependent on future appropriations by the State. The State is not legally obligated to make any such appropriations.

It is hereby certified; recited and declared by the Authority that all acts, conditions and things required by the constitution and statutes of the State and the Resolution to exist, to happen and to be performed precedent to and in the issuance of the Bonds of the issue of which this bond is a part in order to make them the legal, valid and binding obligations of the Authority in accordance with their terms, exist, have happened and have been performed in regular and due time, form and manner as required by law, and that the issuance of such Bonds does not exceed or violate any constitutional, statutory or other limitation upon the amount of the bonded indebtedness of the Authority.

This bond shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this bond shall have been authenticated by the execution by the Trustee, or by any authenticating agent of the Trustee approved by the Authority of the Trustee Certificate of Authentication hereon.

IN WITNESS WHEREOF, the New Jersey Educational Facilities Authority has caused this bond to be executed in its name by the manual or facsimile signature of its Chair, Vice Chair or Executive Director and its corporate seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the manual or facsimile signature of its Secretary or Assistant Secretary, all as of the Dated Date hereof.

[SEAL]

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

By:_____
Name:
Title:

ATTEST:

By:_____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds described in and secured by the within-mentioned Resolution.

_____, as Trustee

By:_____
Authorized Signature

Date of Authentication: _____

ASSIGNMENT

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____ the within Bond issued by the New Jersey Educational Facilities Authority, and all rights thereunder, hereby irrevocably appointing attorney to transfer said Bond on the Bond Register, with full power of substitution in the premises.

Dated:_____

Signature Guaranteed:

_____

_____
Notice: The Assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular without alteration or any change whatever.

ARTICLE IV

APPROVAL OF DOCUMENTS AND OTHER MATTERS

Section 4.1 Approval of Preliminary Official Statement, Official Statement, Notice of Sale and Summary Notice of Sale.

The Authority hereby approves the form and content of the Preliminary Official Statement, the Notice of Sale and the Summary Notice of Sale, each substantially in the forms presented to this meeting, with such necessary, desirable or appropriate changes, insertions or deletions and such completion of blanks therein as an Authorized Authority Representative, with the advice of Bond Counsel and the State Attorney General, may approve; provided that APPENDIX I, as supplemented from time to time, to the Preliminary Official Statement (which is provided by the State) shall be included therein. An Authorized Authority Representative is hereby authorized, with the advice of Bond Counsel and the State Attorney General, to deem the Preliminary Official Statement for the Series 2014 Bonds "final" as of its date, within the meaning of SEC Rule 15(c)(2)-12 and to provide evidence relating thereto in a form acceptable to Bond Counsel and the State Attorney General. The preparation and execution of the final Official Statement relating to the Series 2014 Bonds (the "Official Statement"), and its use, substantially in the form of the Preliminary Official Statement for such Series 2014 Bonds submitted to the Authority, are hereby approved.

Section 4.2 Printing and Distribution (Including Electronic Posting) of Preliminary Official Statement, Official Statement, Notice of Sale and Summary Notice of Sale.

The printing and distribution (including electronic posting) in connection with the sale of the Series 2014 Bonds of the Preliminary Official Statement, the Official Statement, the Notice of Sale and the Summary Notice of Sale by an Authorized Authority Representative is hereby approved, with such changes, insertions and omissions in the Preliminary Official Statement, the Official Statement, the Notice of Sale and the Summary Notice of Sale as an Authorized Authority Representative, with the advice of Bond Counsel and the State Attorney General, shall approve. An Authorized Authority Representative is further authorized and directed to take all such other actions as such Authorized Authority Representative shall deem necessary, desirable or appropriate to effect a public sale of the Series 2014 Bonds.

Section 4.3 Approval of Continuing Disclosure Agreement.

The Authority hereby approves the form and authorizes the execution and delivery of a Continuing Disclosure Agreement by and among the Authority, the State Treasurer and the Trustee (as "Dissemination Agent"), in substantially the form presented to this meeting, with such changes, omissions, insertions and revisions as any Authorized Authority Representative shall deem necessary in consultation with Bond Counsel and the State Attorney General, such

approval to be evidenced by such officer's execution thereof.

Section 4.4 Execution of Other Necessary Documents.

Any Authorized Authority Representative is hereby authorized and directed to execute and deliver such documents and to take such action as they determine to be necessary or appropriate in order to effectuate the issuance and sale of the Series 2014 Bonds, including, without limitation, the execution and delivery of all closing documents and certificates.

Section 4.5 Additional Proceedings.

As additional proceedings of the Authority in connection with the sale and delivery of the Series 2014 Bonds, there is hereby delegated to the Authorized Authority Representatives, the power to take the following actions and make the following determinations as to the Series 2014 Bonds by the Series 2014 Certificate executed by any such Authorized Authority Representative and approved in writing by the State Treasurer:

(a) To receive Bids pursuant to the Notice of Sale and, if such Authorized Authority Representative, with the advice of Bond Counsel and the State Attorney General, so determines, to reject any or all Bids, so far as permitted by law, to waive any irregularities or informalities in Bids, to postpone the date of the sale of the Series 2014 Bonds and to exercise any and all rights of the Authority under the Notice of Sale. If an Authorized Authority Representative rejects all Bids, such Authorized Authority Representative also shall be and is hereby authorized to hold another Series 2014 Bond sale in accordance with the provisions of this Third Supplemental Resolution and, in connection with such additional Series 2014 Bond sale, to distribute Notice of Sale, a Summary Notice of Sale and a Preliminary Official Statement in substantially the forms presented to this meeting with such necessary, desirable or appropriate changes and insertions to and omissions from such document as an Authorized Authority Representative, upon the advice of Bond Counsel and the State Attorney General, shall approve;

(b) To award the Series 2014 Bond to the Successful Bidder in accordance with the Notice of Sale, and to make any adjustments to the Bid of the Successful Bidder as permitted by the Notice of Sale;

(c) To return the deposits delivered to the Authority of all unsuccessful bidders, or in the event the Authorized Authority Representative rejects all Bids for Series 2014 Bonds submitted at a Series 2014 Bond sale, to return all deposits delivered to the Authority of all bidders;

(d) To determine, subject to the provisions of this Third Supplemental Resolution and the Notice of Sale and in consultation with the State Treasurer, the appropriate series designations, the date and time of sale, the amount of the Deposit (hereinafter defined), the interest rate or rates, the dated dates, the interest and principal payment and maturity dates and the denomination or denominations (not exceeding the aggregate principal amount of Series

2014 Bonds specified herein) of the Series 2014 Bonds, to make such modifications or amendments to the title of the Series 2014 Bonds as deemed necessary, desirable or appropriate by such in connection with the issuance and sale of the Series 2014 Bonds and any other provisions deemed necessary, desirable or appropriate by such person not in conflict with or in substitution for the provisions of the Resolution and the Notice of Sale;

(e) To make the determination, in consultation with the State Treasurer, of the amount of the Series 2014 Bonds to be issued and sold;

(f) To omit from, add to or incorporate into the designation and title of the Series 2014 Bonds set forth in Section 2.1 of this Third Supplemental Resolution any provision, or modify such designation or title in any other manner, which may be deemed necessary or advisable by such Authorized Authority Representative in connection with the issuance, sale and delivery of, and security for the Series 2014 Bonds and which is not inconsistent with the provisions of the Resolution;

(g) To execute a final Official Statement of the Authority relating to the Series 2014 Bonds, substantially in the form of the Preliminary Official Statement relating to the Series 2014 Bonds, with such insertions, revisions and omissions as may be authorized by an Authorized Authority Representative executing the same, with the advice of Bond Counsel and the State Attorney General, to deliver the final Official Statement to the Successful Bidder and to authorize the use of the final Official Statement and the information contained therein in connection with the offering and sale of the Series 2014 Bonds;

(h) To determine the application of the proceeds of the Series 2014 Bonds for the purposes stated in Section 2.2 of this Third Supplemental Resolution;

(i) To arrange for the submission of Bids electronically utilizing the services of such provider of electronic bidding services and on such terms and conditions as such Authorized Authority Representative, with the advice of Bond Counsel and the State Attorney General, shall determine, or, if such Authorized Authority Representative so determines, with the advice of Bond Counsel and the State Attorney General, to discontinue any such arrangements prior to the sale of the Series 2014 Bonds and to require that all bids be submitted by hand delivery;

(j) In connection with any of the transactions authorized by this Third Supplemental Resolution, to make such amendments, modifications and revisions to the Resolution prior to or simultaneously with the issuance of the Series 2014 Bonds as (i) may be requested by any Rating Agency in connection with obtaining a rating on the Series 2014 Bonds from such Rating Agency or (ii) such Authorized Authority Representative may determine, in consultation with the State Treasurer, the State Attorney General and Bond Counsel, are necessary or advisable in order to (1) reflect the actual provisions of the Resolution that shall be applicable to the Series 2014 Bonds, or (2) facilitate the issuance and sale of the Series 2014 Bonds; provided, however, that (A) the provisions of Section 2.1 of this Third Supplemental Resolution relating to the maximum aggregate principal amount, true interest cost, final maturity date, minimum and maximum purchase price to be paid by the Successful Bidder and Redemption Price of the Series 2014 Bonds shall not be so amended, modified or revised, and (B) no such amendments, modifications or revisions shall be inconsistent with the provisions of the Resolution;

(k) To authorize the electronic posting of the Official Statement(s) on the State's website, upon the request of the State Treasurer or his designee;

(l) To accept financial surety bonds, cashiers checks, and/or federal funds wires (each, a "Deposit") for purposes of satisfying the good faith deposit requirement, all as set forth in the Notice of Sale. The Trustee is hereby appointed as the Deposit Agent and is authorized to receive and return Deposits on the Authority's behalf in connection with the competitive sale of Series 2014 Bonds. An Authorized Authority Representative, with the advice of the State Attorney General and Bond Counsel, are also authorized to negotiate the terms of and enter into an agreement, if required, with the Deposit Agent governing the receipt and return of Deposits, in customary form, with such changes, insertions and omissions as shall be approved by an Authorized Authority Representative, in consultation with Bond Counsel and the State Attorney General; provided, however, the fee, if any, payable to the Deposit Agent shall not exceed $1,000;

(m) To submit an excerpt of the minutes of the meeting of the Authority at which this Third Supplemental Resolution was adopted to the Governor as required pursuant to Section 4(i) of the Act, and to receive, on behalf of the Authority, an approval letter from the Governor, if delivered to the Authority, of said excerpt as it relates to all actions taken by the Authority in connection with the issuance and sale of the Series 2014 Bonds; and

(n) To make such other determinations, to execute such other documents, instruments and papers and to do such acts and things as may be necessary or advisable in connection with the issuance, sale and delivery of, and security for, the Series 2014 Bonds and which are not inconsistent with the provisions of the Resolution or this Third Supplemental Resolution. Any and all actions heretofore taken by an Authorized Authority Representative in connection with the offering, sale and issuance of the Series 2014 Bonds are hereby ratified.

All matters determined by an Authorized Authority Representative under the authority of this Third Supplemental Resolution shall constitute and be deemed matters incorporated into this Third Supplemental Resolution and approved by the Authority, and, whenever an Authorized Authority Representative is authorized or directed to take any action pursuant to this Third Supplemental Resolution with or upon the advice, consent or consultation with or by any other person, agency, office or official, a certificate of such Authorized Authority Representative may be relied upon as being determinative that such advice, consultation or consent has in fact occurred and that such actions of the Authorized Authority Representative are valid and binding.

Section 4.6 Modifications to Grant Authorizations.

The Authorized Authority Representatives are hereby authorized to obtain the approval of the Secretary of Higher Education upon consultation with the State Attorney General and Bond Counsel of non-material modifications to the descriptions of the 2013 Projects and to decrease the amount of the Grants approved by the Secretary of Higher Education on April 29, 2013, provided that the 2013 Projects as so modified comply with all requirements for funding under the Act.

ARTICLE V

APPLICATION OF BOND PROCEEDS

Section 5.1 Application of Bond Proceeds.

Simultaneously with the delivery of Series 2014 Bonds, the proceeds thereof shall be applied as follows, all as more specifically set forth in the Series 2014 Certificate:

(a) There shall be deposited in the Debt Service Fund, the amount (if any) specified in the Series 2014 Certificate; and

(b) The balance of the proceeds of the Series 2014 Bonds shall be deposited in the Higher Education Facilities Trust Fund, for application to the purposes set forth in Section 2.2 hereof.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Severability of Invalid Provisions.

If any one or more of the agreements provided in this Third Supplemental Resolution on the part of the Authority or any Fiduciary to be performed should be contrary to law, then such agreement or agreements shall be deemed severable from the remaining agreements, and shall in no way affect the validity of the other provisions of this Third Supplemental Resolution.

Section 6.2. Registration or Qualification of Bonds under Blue Sky Laws of Various Jurisdictions.

The Authorized Authority Representatives are authorized and directed on behalf of the Authority to take any and all action which they deem necessary or advisable in order to effect the registration or qualification (or exemption therefrom) of the Series 2014 Bonds for issue, offer, sale or trade under the blue sky or securities laws of any of the states of the United States of America and in connection therewith to execute, acknowledge, verify, deliver, file or cause to be published any applications, reports (except consents to service of process in any jurisdiction outside the State) and other papers and instruments which may be required under such laws, and to take any and all further action which they deem necessary or advisable in order to maintain any such registration or qualification for so long as they deem necessary or as required by law or by the underwriters of such securities.

Section 6.3 Notices.

All notices, demands and formal actions under the Resolution shall be in writing and mailed, postage prepaid, by first class mail, telecopied or delivered to:

The Authority:	New Jersey Educational Facilities Authority 103 College Road East Princeton, New Jersey 08540-6612 Attention: Executive Director
With a copy to:	New Jersey Department of the Treasury Office of Public Finance P.O. Box 005 50 West State Street, 5th Floor Trenton, New Jersey 08625-0005 Attention: Director

The Trustee, Bond Registrar, Paying Agent and Dissemination Agent:	The Bank of New York Mellon 385 Rifle Camp Road, 3rd Floor Woodland Park, New Jersey 07424 Attention: Corporate Trust Administration

Section 6.4 Conflict.

All resolutions or parts of resolutions or other proceedings in conflict herewith are repealed insofar as such conflict exists.

Section 6.5 Effective Date.

This Third Supplemental Resolution shall take effect immediately upon its adoption in accordance with the Act.

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APPENDIX III

FORM OF THE CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (the "Disclosure Agreement") is made as of the ___ day of _____, 2014, by and among the TREASURER OF THE STATE OF NEW JERSEY (the "Treasurer"), the NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY (the "Authority"), a public body corporate and politic of the State of New Jersey (the "State"), and THE BANK OF NEW YORK MELLON, as Dissemination Agent (the "Dissemination Agent"), in its capacity as trustee under the Higher Education Facilities Trust Fund General Bond Resolution adopted by the Authority on November 15, 1995, as amended and supplemented (the "General Bond Resolution"), including as supplemented by the Third Supplemental Higher Education Facilities Trust Fund Resolution adopted by the Authority on August 13, 2014, and a Series Certificate of the Authority, dated as of _____, 2014 (collectively, the "Resolution"). This Disclosure Agreement is entered into in connection with the issuance and sale of the Authority's $_____ Higher Education Facilities Trust Fund Bonds, Series 2014 (the "Series 2014 Bonds").

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the Series 2014 Bonds (collectively, the "Bondholders" or the "Holders") and in compliance with Rule 15(c)(2)-12(b)(5) of the Securities and Exchange Commission (the "SEC"), as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Series 2014 Bonds.

SECTION 2. Definitions. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Continuing Disclosure Information" shall mean, collectively, (i) Treasurer's Annual Reports, (ii) any notice required to be filed with the MSRB pursuant to Section 3(c) of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed with the MSRB pursuant to Section 5(c) of this Disclosure Agreement;

"Listed Event" or **"Listed Events"** shall mean any of the events listed in Section 5(a) of this Disclosure Agreement;

"MSRB" shall mean the Municipal Securities Rulemaking Board;

"Opinion of Counsel" shall mean a written opinion of counsel expert in federal securities law acceptable to the Treasurer and the Authority;

"Rule" shall mean Rule 15(c)(2)-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Series 2014 Bonds; and

"Treasurer's Annual Report" shall mean the Treasurer's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

SECTION 3. Provision of the Treasurer's Annual Report.

(a) The Treasurer shall, no later than March 15, 2015 and March 15 of each year during which any of the Series 2014 Bonds remain Outstanding, provide to the Dissemination Agent the Treasurer's Annual Report prepared for the fiscal year of the State ending the immediately preceding June 30 (or if the fiscal year of the State shall end on any date other than June 30, the Treasurer shall provide the Treasurer's Annual Report to the Dissemination Agent not later than the fifteenth day of the ninth month next following the end of such other fiscal year); provided, however, that the audited financial statements of the State may be submitted separately from the Treasurer's Annual Report and later than the date required herein for the filing of the Treasurer's Annual Report if such audited financial statements are not available by such date, but only if the unaudited financial statements are included in such respective Treasurer's Annual Report. Each Treasurer's Annual Report provided to the Dissemination Agent by the Treasurer shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package. Each Treasurer's Annual Report may cross-reference other information which is available to the public on the MSRB's internet website or which has been filed with the SEC and, if the document incorporated by reference is a final official statement, it must be available from the MSRB. Unless otherwise provided by law, any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in an electronic format as shall be prescribed by MSRB Rule G-32, and shall be accompanied by such identifying information as shall be prescribed by MSRB Rule G-32.

(b) The Dissemination Agent, promptly on receiving the Treasurer's Annual Report, and, in any event, not later than April 1 in each year (or if the fiscal year of the State shall end on any date other than June 30, not later than the first day of the tenth month next following the end of such other fiscal year), shall submit such Treasurer's Annual Report received by it to the MSRB in accordance with the Rule.

(c) If the Treasurer fails to submit the Treasurer's Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the Treasurer and the Authority advising of such failure. Whether or not such notice is given or received, if the Treasurer thereafter fails to submit the Treasurer's Annual Report to the Dissemination Agent by the last Business Day of the month in which such Treasurer's Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB, in substantially the form attached as Exhibit A hereto.

(d) (i) Notwithstanding anything to the contrary contained in this Disclosure Agreement, in order to expedite the transmission of the Treasurer's Annual Report to the MSRB, as set forth in subsections (a), (b) and (c) of this Section 3, the Treasurer shall have the option, but shall not be obligated, to submit the Treasurer's Annual Report directly to the MSRB no later than March 15 in each year (or if the fiscal year of the State shall end on any date other than June 30, not later than the fifteenth day of the ninth month next following the end of such other fiscal year). In the event that the Treasurer elects to submit the Treasurer's Annual Report directly to the MSRB, the Treasurer shall, at the same time, submit the Treasurer's Annual Report to the Dissemination Agent together with evidence that such Treasurer's Annual Report has been forwarded by the Treasurer to the MSRB, upon which evidence the

Dissemination Agent may rely. In the event that the Treasurer elects not to submit the Treasurer's Annual Report directly to the MSRB, the Treasurer shall provide the Treasurer's Annual Report to the Dissemination Agent within the time period specified in subsection (a) of this Section 3.

(ii) If the Dissemination Agent does not receive notice that the Treasurer has submitted the Treasurer's Annual Report directly to the MSRB as provided in subsection (d)(i) of this Section 3 by the last Business Day of the month in which such Treasurer's Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB, in substantially the form attached as Exhibit A hereto.

SECTION 4. Contents of the Treasurer's Annual Report.

(a) Treasurer's Annual Report means (i) information pertaining to the finances and operating data of the State substantially of the type captioned as follows in APPENDIX I to the Official Statement of the Authority circulated in connection with the issuance of the Series 2014 Bonds: "STATE FINANCES," "FINANCIAL RESULTS AND ESTIMATES," "OUTSTANDING BONDED INDEBTEDNESS OF THE STATE," "TAX AND REVENUE ANTICIPATION NOTES," "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION," "MORAL OBLIGATION FINANCING," "STATE EMPLOYEES," "STATE FUNDING OF PENSION PLANS," "FUNDING POST-RETIREMENT MEDICAL BENEFITS" and "LITIGATION" and (ii) "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013," being the audit report prepared annually by the Office of the State Auditor with respect to the State's general purpose financial statements for each year, as set forth in APPENDIX I-A attached to such APPENDIX I described above, all such financial information included in clauses (i) and (ii) above being prepared using the accounting standards set forth in subsection (b) of this Section 4.

(b) The State prepares its financial statements in accordance with the provisions of Statements No. 34 and No. 35 of the Governmental Accounting Standards Board.

SECTION 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following listed events (the "Listed Events"):

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2014 Bonds, or other material events affecting the tax status of the Series 2014 Bonds;

(7) Modification to rights of Bondholders, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances of the Series 2014 Bonds;

(10) Release, substitution or sale of property securing repayment of the Series 2014 Bonds, if material;

(11) Rating changes relating to the Series 2014 Bonds;

(12) Bankruptcy, insolvency, receivership or similar event of the Authority;

(13) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) Appointment of a successor or additional trustee for the Series 2014 Bonds or the change of name of a trustee for the Series 2014 Bonds, if material.

(b) The Treasurer shall in a timely manner not in excess of seven (7) Business Days after the occurrence of any Listed Event notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. The Authority shall promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events notify the Treasurer in writing of the occurrence of such event, but shall not be required to give any such notice to the Dissemination Agent. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5, the Treasurer and the Authority may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the Treasurer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB within three (3) Business Days of the receipt of such instruction, but in no event later than ten (10) Business Days after the occurrence of a Listed Event. In addition, notice of

Listed Events described in subsections (a)(8) and (9) of this Section 5 shall be given by the Dissemination Agent under this subsection simultaneously with the giving of the notice of the underlying event to the Holders of the affected Series 2014 Bonds pursuant to the Resolution.

(d) Notwithstanding anything to the contrary in this Disclosure Agreement, in order to expedite the transmission of the occurrence of Listed Events as set forth in this Section 5, the Treasurer shall have the option, but shall not be obligated to, file timely notice (which notice, if filed, shall not be filed in excess of ten (10) Business Days after the occurrence of any Listed Event), directly with the MSRB, copying the Dissemination Agent on any such notice.

SECTION 6. Termination of Reporting Obligation. The respective obligations of the Treasurer and the Authority under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Series 2014 Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Authority and the Treasurer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an Opinion of Counsel addressed to the Treasurer, the Authority and the Dissemination Agent to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule. No amendment to this Disclosure Agreement shall change or modify the rights or obligations of the Dissemination Agent without its written assent thereto.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Treasurer or the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Treasurer's Annual Report or notice of occurrence of a Listed Event, as the case may be, in addition to that which is required by this Disclosure Agreement. If the Treasurer or the Authority chooses to include any information in any Treasurer's Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update or continue to provide such information or include it in any future Treasurer's Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default.

(a) In the event of a failure of the Treasurer or the Authority to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the written request of the Holders of at least 25% in aggregate principal amount of Outstanding Series 2014 Bonds affected by such failure shall), or any Bondholder may take such actions as may be necessary and appropriate to cause the Treasurer or the Authority to comply with its obligations under this Disclosure Agreement; provided, however, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Notwithstanding the foregoing, the right of any Bondholder to challenge the adequacy of information provided pursuant to this Disclosure Agreement shall be limited in the same manner as enforcement rights are limited under the Resolution. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the

event of any failure of the Treasurer or the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

(b) For purposes of this Disclosure Agreement, in making determinations under applicable securities law, the Treasurer or the Authority may, but shall not be required to, rely on an Opinion of Counsel with respect to matters of a legal nature.

SECTION 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Dissemination Agent and the Bondholders, and each Bondholder is hereby declared to be a third party beneficiary of this Disclosure Agreement. Except as provided in the immediately preceding sentence, this Disclosure Agreement shall create no rights in any other person or entity.

SECTION 11. Reimbursement of the Dissemination Agent. The provisions of Section 805 of the General Bond Resolution relating to reimbursement of a Fiduciary shall apply to the performance by the Dissemination Agent of its obligations as Dissemination Agent under this Disclosure Agreement.

SECTION 12. Notices. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) <u>If to the Authority</u>:

New Jersey Educational Facilities Authority
103 College Road East, 2nd Floor
Princeton, New Jersey 08540
Attn: Executive Director

(ii) <u>If to the Treasurer</u>:

New Jersey Department of the Treasury
c/o Office of Public Finance
50 West State Street, 5th Floor
P.O. Box 005
Trenton, New Jersey 08625
Attn: Director, Office of Public Finance

(iii) <u>If to the Dissemination Agent</u>:

The Bank of New York Mellon
385 Rifle Camp Road, 3rd Floor
Woodland Park, New Jersey 07424
Attn: Corporate Trust Administration

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section 12 for the giving of notice.

SECTION 13. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the Treasurer, the Authority or the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 14. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 17. Governing Law and Venue. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State. The parties hereto agree that the Authority, the Treasurer or the State may be sued, pursuant to Section 9 hereof, only in a State court in the County of Mercer in the State.

SECTION 18. Compliance with L. 2005, c. 271. The Dissemination Agent hereby acknowledges that it has been advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("ELEC") pursuant to N.J.S.A. 19:44A-20.13 (L. 2005, c. 271, section 3) if the Dissemination Agent enters into agreements or contracts, such as this Disclosure Agreement, with a public entity, such as the Authority, and receives compensation or fees in excess of $50,000 or more in the aggregate from public entities, such as the Authority, in a calendar year. It is the Dissemination Agent's responsibility to determine if filing is necessary. Failure to do so can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

SECTION 19. Compliance with L. 2005, c. 92. In accordance with L. 2005, c. 92, the Dissemination Agent agrees that all services performed under this Disclosure Agreement or any subcontract awarded under this Disclosure Agreement shall be performed within the United States of America.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Disclosure Agreement to be executed and delivered by their proper and duly authorized officers as of the day and year first above written.

TREASURER, STATE OF NEW JERSEY

_____
ANDREW P. SIDAMON-ERISTOFF

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

By: _____
DEREK S. HANSEL
Executive Director

THE BANK OF NEW YORK MELLON,
as Dissemination Agent

By: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer:	New Jersey Educational Facilities Authority
Name of Bond issue affected:	$_____ Higher Education Facilities Trust Fund Bonds, Series 2014
Date of Issuance of the affected issue:	_____, 2014

NOTICE IS HEREBY GIVEN that the Treasurer of the State of New Jersey has not provided a Treasurer's Annual Report with respect to the above-named Bond issues as required by Section 3 of the Continuing Disclosure Agreement dated as of _____, 2014 by and among the Treasurer, the New Jersey Educational Facilities Authority and the Dissemination Agent.

[TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE – The Treasurer anticipates that the specified Treasurer's Annual Report will be filed by _____.]

Dated: _____

THE BANK OF NEW YORK MELLON,
as Dissemination Agent

By: _____
Name:
Title:

cc: Treasurer
NJ Educational Facilities Authority

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APPENDIX IV

FORM OF OPINION OF BOND COUNSEL

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An opinion in substantially the following form will be delivered at Closing, assuming no material changes in facts or law.

_____, 2014

New Jersey Educational Facilities Authority
103 College Road East
Princeton, New Jersey 08540

The Honorable Andrew P. Sidamon-Eristoff
Treasurer of the State of New Jersey
State House
Trenton, New Jersey 08625

Re: New Jersey Educational Facilities Authority
$_____ Higher Education Facilities Trust Fund Bonds, Series 2014

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the New Jersey Educational Facilities Authority (the "Authority") of its Higher Education Facilities Trust Fund Bonds, Series 2014 in the aggregate principal amount of $_____ (the "Series 2014 Bonds"). The Series 2014 Bonds are issued under and pursuant to the Higher Education Facilities Trust Fund Act, being Chapter 375 of the Laws of the State of New Jersey (the "State") of 1993, as amended and supplemented, which amended and supplemented the New Jersey Educational Facilities Authority Law, being Chapter 271 of the Laws of the State of 1967, as amended and supplemented (collectively, the "Act"), and under and pursuant to the Authority's Higher Education Facilities Trust Fund General Bond Resolution adopted on November 15, 1995, as amended and supplemented to date (the "General Bond Resolution"), including as supplemented by the Authority's Third Supplemental Higher Education Facilities Trust Fund Resolution adopted on August 13, 2014 (the "Third Supplemental Resolution") and a certificate executed by an Authorized Authority Representative as of the date of sale of the Series 2014 Bonds (the "Series Certificate"). The General Bond Resolution, as heretofore amended and supplemented, including as supplemented by the Third Supplemental Resolution and the Series Certificate, is referred to collectively herein as the "Resolution." The Bank of New York Mellon, Woodland Park, New Jersey, is acting as the trustee (the "Trustee") under the Resolution. Capitalized terms used in this opinion and not otherwise defined herein shall have the same meanings are set forth in the Resolution or the Act.

The Series 2014 Bonds are being issued for the purpose of (i) providing funds to make Grants to Public Institutions of Higher Education and Private Institutions of Higher Education within the State in accordance with the Act and (ii) paying the costs of issuing the Series 2014 Bonds.

The Series 2014 Bonds are dated and bear interest from their date of delivery. Interest on the Series 2014 Bonds will be payable semi-annually on each June 15 and December 15, commencing June 15, 2015. The Series 2014 Bonds bear interest at the interest rates per annum, will mature on the dates and will be subject to redemption prior to maturity all as set forth in the Resolution.

The Series 2014 Bonds are being issued in fully registered form, and will be registered initially in the name of and held by Cede & Co. as registered owner and nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2014 Bonds. Purchases of the Series 2014 Bonds will be in book-entry only form in authorized denominations as provided in the Resolution.

Pursuant to the Resolution, the pledge securing the payment of the principal of, or redemption premium, if any, and interest on the Series 2014 Bonds and any other Bonds issued under the Resolution consists of the Revenues, and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the terms of the Resolution or which are held in any funds (except the Rebate Fund) established and created under the Resolution.

Neither the State nor any political subdivision thereof is obligated to pay, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment or redemption price of or interest on the Series 2014 Bonds. The Series 2014 Bonds are special and limited obligations of the Authority, payable solely out of the revenues or other receipts, funds or moneys of the Authority pledged under the Resolution and from any amounts otherwise available under the Resolution for payment of the Series 2014 Bonds. The Series 2014 Bonds do not now and will never constitute a charge against the general credit of the Authority. The Authority has no taxing power.

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements which must be met on a continuing basis subsequent to the issuance of the Series 2014 Bonds in order for interest on the Series 2014 Bonds to be excluded from gross income for Federal income tax purposes under Section 103 of the Code. The Authority has represented in the Authority Tax Certificate of even date herewith that it expects and intends to comply, and to the extent permitted by law, will comply, with such requirements. In addition, each Public Institution of Higher Education and Private Institution of Higher Education which is to receive a Grant funded from the proceeds of the Series 2014 Bonds (collectively, the "Grantees") has covenanted, in its respective Grantee Tax Certificate(s) of even date herewith, to comply with the provisions of the Code applicable to the Series 2014 Bonds and has covenanted not to take any action or fail to take any action which would cause the interest on the Series 2014 Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code. We have assumed continuing compliance by the Authority and the Grantees with the above covenants in rendering our opinion with respect to the exclusion of interest on the Series 2014 Bonds from gross income for Federal income tax purposes and with respect to interest on the Series 2014 Bonds not constituting an item of tax preference.

The Authority has represented that it expects and intends to comply, and to the extent permitted by law, will comply, and each of the Grantees has covenanted that it will comply, with the requirements of Sections 141 and 148 of the Code pertaining to private use/payment and arbitrage requirements. In addition, the Authority, by an officer of the Authority responsible for issuing the Series 2014 Bonds, and authorized officers of each of the Grantees have each executed a certificate stating the reasonable expectations of the Authority and the Grantees on the date of issue of the Series 2014 Bonds as to future events that are material for the purposes of such requirements of the Code. The Authority has also delivered to us for filing with the Internal Revenue Service a report of the issuance of the Series 2014 Bonds as required by the Code as a condition of the exclusion from gross income of the interest on the Series 2014 Bonds for Federal income tax purposes.

For purposes of rendering the opinions set forth below, we have assumed, with your permission, (i) the accuracy and genuineness of all representations made by the Authority in the Resolution, (ii) the genuineness of the signatures of all persons and the authenticity of all documents submitted to us as copies and the legal capacity of all natural persons, and (iii) the proper authorization and due execution and delivery by, and enforceability against, all parties, other than the Authority, of the documents and other instruments which we have examined.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings related to the authorization and issuance of the Series 2014 Bonds, including, among other things: (a) original counterparts of a certified copy of the Resolution; (b) such matters of law, including, inter alia, the Act; (c) various certificates executed by the Authority and the Grantees; and (d) such other opinions, agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Series 2014 Bonds as we have deemed necessary or appropriate. As to matters of fact, we have relied upon the genuineness, accuracy and completeness of all the documents and other instruments which we have examined. We have assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined.

Based upon the foregoing and, with your permission, subject to the further assumptions and qualifications set forth below, we are of the opinion that:

1. The Authority is a public body corporate and politic constituting an instrumentality of the State, is duly created and validly existing under the Act, and has the right, power and authority under the Act to adopt the General Bond Resolution and the Third Supplemental Resolution and to execute the Series Certificate and to perform its obligations thereunder, and to issue and sell the Series 2014 Bonds.

2. The General Bond Resolution and the Third Supplemental Resolution have each been duly and lawfully adopted by the Authority and the Series Certificate has been duly and lawfully executed by the Authority, each is in full force and effect and is valid and binding upon the Authority, enforceable in accordance with its terms, and no other authorization for the General Bond Resolution, the Third Supplemental Resolution or the Series Certificate is required, which has not already been obtained.

3. The Resolution creates the valid pledge which it purports to create of the Revenues, including payments made by the State to the Authority pursuant to the Act, subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature (the "State Legislature") for such purpose.

4. The Series 2014 Bonds have been duly and validly authorized, executed, issued and delivered by the Authority in accordance with the Constitution and statutes of the State, including the Act, and the Resolution, constitute legal, valid and binding obligations of the Authority as provided in the Resolution, are entitled to the benefits of the Resolution and the Act, and are enforceable in accordance with their terms and the terms of the Resolution.

5. Assuming continuing compliance by the Authority and the Grantees with certain provisions of the Code applicable to the Series 2014 Bonds, and subject to certain provisions of the Code, under laws, regulations, rulings and judicial decisions existing on the date of original delivery of the Series 2014 Bonds, interest on the Series 2014 Bonds is excludable from gross income for Federal income tax purposes and will not be treated as a preference item for purposes of the alternative minimum tax imposed on individuals or corporations; however, such interest is included in the adjusted current

earnings of certain corporations for purposes of computing the alternative minimum tax on such corporations. We express no opinion regarding other Federal tax consequences relating to the Series 2014 Bonds or the receipt of interest thereon.

6. Under laws existing on the date of original delivery of the Series 2014 Bonds, interest on the Series 2014 Bonds and gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act, as amended.

The foregoing opinions are qualified to the extent that the enforceability of the Series 2014 Bonds, the Resolution and the other documents mentioned herein may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws or equitable principles affecting rights or remedies of creditors and secured parties, from time to time in effect relating to the enforcement of creditors' rights generally, and that the availability of specific enforcement, injunctive relief or other equitable remedies is subject to the discretion of the court before which any proceedings may be brought.

Attention is called to the fact that the Series 2014 Bonds and the interest thereon are special, limited obligations of the Authority payable solely from and secured solely by the Revenues under the Resolution, and that all amounts payable by the State under the Act are subject to and dependent upon appropriations being made from time to time by the State Legislature, which has no legal obligation to make any such appropriation. The failure of the State Legislature to make such appropriation is not an event of default under the Resolution. The Series 2014 Bonds and the interest thereon do not create or constitute any indebtedness, liability or obligation of the State or any political subdivision of the State other than the Authority (to the limited extent set forth therein and in the Resolution) or constitute a pledge of the faith and credit or taxing power of the State or any political subdivision thereof. The Authority has no taxing power.

The opinions expressed herein are based upon, and limited to, the laws and judicial decisions of the State, exclusive of conflicts of law provisions, and the Federal laws and judicial decisions of the United States of America as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the Authority with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressees hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,
GLUCKWALRATH LLP