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 AUGUST 14, 2013

NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: (See "RATINGS" herein)**

$849,200,000*
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
TRANSPORTATION PROGRAM BONDS, 2013 SERIES AA

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

This Official Statement has been prepared by the New Jersey Transportation Trust Fund Authority (the "Authority") to provide information on its $849,200,000* Transportation Program Bonds, 2013 Series AA (the "2013 Series AA Bonds").

Tax Matters:	In the opinion of Bond Counsel, pursuant to the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code") and related rulings, regulations and judicial decisions, and assuming compliance by the Authority with certain tax requirements described herein, under existing law, interest on the 2013 Series AA Bonds is not included in gross income for purposes of federal income taxation under Section 103 of the Code and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed by the Code on individuals and corporations. Interest on the 2013 Series AA Bonds held by certain corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the 2013 Series AA Bonds in "adjusted current earnings." Bond Counsel is also of the opinion that interest on and any gain realized on the sale of any 2013 Series AA Bonds are not includable in gross income under the existing New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.
Redemption:	The 2013 Series AA Bonds are subject to redemption prior to maturity, as described herein. See "DESCRIPTION OF THE 2013 SERIES AA BONDS – Redemption Provisions" herein.
Security:	The 2013 Series AA Bonds are special obligations of the Authority, secured primarily by payments made by the State of New Jersey (the "State") to the Authority under an agreement entitled: "Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with respect to Transportation Program Bonds" dated as of December 4, 2012 (the "State Contract"), as may be amended from time to time, among the State Treasurer, the Commissioner of the New Jersey Department of Transportation and the Authority. THE OBLIGATION OF THE STATE TO MAKE PAYMENTS UNDER THE STATE CONTRACT IS 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. See "SECURITY FOR THE 2013 SERIES AA BONDS" herein. **The 2013 Series AA Bonds shall not, in any way, be 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 shall not create or constitute an indebtedness, liability or obligation of the State or of 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 any political subdivision thereof. The Authority has no taxing power.**
Purpose:	The 2013 Series AA Bonds are being issued for the purposes of (i) paying State Transportation System Costs (as defined herein) and (ii) paying certain costs of issuance of the 2013 Series AA Bonds. See "PLAN OF FINANCE" herein.
Initial Rates and Yields:	As shown on the inside front cover.
Interest Payment Dates:	Interest on the 2013 Series AA Bonds is payable on June 15 and December 15, payable initially on December 15, 2013.
Denominations:	The 2013 Series AA Bonds will be issued in denominations of $5,000 or any integral multiple in excess thereof.
Issuer Contact:	Office of Public Finance, New Jersey Department of the Treasury (609) 984-4888.
Book-Entry Only:	The Depository Trust Company ("DTC"), New York, New York.

The 2013 Series AA Bonds are offered when, as and if delivered and subject to the receipt of the approving legal opinion of Wolff & Samson PC, West Orange, 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 and for the Underwriter by DeCotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey. The 2013 Series AA Bonds in definitive form are expected to be available for delivery through DTC in New York, New York on or about August 29, 2013.

BofA Merrill Lynch

BARCLAYS **MORGAN STANLEY** **RAYMOND JAMES**

CASTLEOAK SECURITIES, L.P. D.A. DAVIDSON & CO. J.P. MORGAN JANNEY MONTGOMERY SCOTT
JEFFERIES MESIROW FINANCIAL, INC. PNC CAPITAL MARKETS LLC RAMIREZ & CO., INC.
RBC CAPITAL MARKETS ROOSEVELT & CROSS

**Preliminary, subject to change.*

Official Statement dated: _____, 2013

$849,200,000*
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
TRANSPORTATION PROGRAM BONDS, 2013 SERIES AA

MATURITY SCHEDULE*

Maturity Date (June 15)	Principal Amount	Interest Rate	Yield	CUSIP[1]
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
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2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				

* Preliminary, subject to change.

[1] 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 2013 Series AA 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 2013 Series AA 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 2013 Series AA Bonds.

IN CONNECTION WITH THE OFFERING OF THE 2013 SERIES AA BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2013 SERIES AA BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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 2013 SERIES AA 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 2013 Series AA 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 2013 Series AA 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 2013 Series AA Bonds, the principal documents related to the security for the 2013 Series AA 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 2013 Series AA Bonds, and all references to the 2013 Series AA 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 2013 Series AA 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 2013 Series AA Bonds and the security therefor, including an analysis of the risks involved. The 2013 Series AA Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the 2013 Series AA Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the 2013 Series AA 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 2013 Series AA 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

$849,200,000*
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
TRANSPORTATION PROGRAM BONDS, 2013 SERIES AA

INTRODUCTION

The purpose of this Official Statement (which includes the cover page, the inside cover page and the Appendices hereto) is to set forth certain information concerning the New Jersey Transportation Trust Fund Authority (the "Authority") and the Authority's $849,200,000* Transportation Program Bonds, 2013 Series AA (the "2013 Series AA Bonds"). The Authority is issuing the 2013 Series AA Bonds for the purposes of (i) paying State Transportation System Costs (as defined herein), and (ii) paying certain costs of issuance of the 2013 Series AA Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Authority was created by the State of New Jersey (the "State") in 1984 pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, as amended and supplemented, including by L. 2012, c. 13, constituting N.J.S.A. 27:1B-1 et seq. (the "Act"), to provide a stable, predictable funding mechanism for transportation system improvements undertaken by the New Jersey Department of Transportation (the "Department"). Transportation system improvements financed by the Authority include expenditures for the planning, acquisition, engineering, construction, repair, maintenance and rehabilitation of public facilities for ground, water or air transportation of people or goods. The Authority also finances State aid to counties and municipalities for transportation system improvements.

The Authority is governed by seven members, including the Commissioner of the New Jersey Department of Transportation (the "Commissioner") and the Treasurer of the State (the "State Treasurer"), both of whom serve as ex officio members.

The Act, among other things, provides for (i) the funding of transportation projects, and (ii) the issuance of debt. The Act, as most recently amended by L. 2012, c. 13, effective on June 29, 2012 (the "2012 Legislation"), authorizes the issuance of bonds (bonds authorized to be issued pursuant to the 2012 Legislation are referred to therein and herein as "Transportation Program Bonds") in each of the State Fiscal Years 2013 through and including 2016 up to the maximum aggregate principal amounts set forth below:

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* Preliminary, subject to change.

Fiscal Year (July 1 to June 30)	Maximum Aggregate Principal Amount of Transportation Program Bonds Authorized to be Issued
2013	$1,247,000,000
2014	849,200,000
2015	735,300,000
2016	626,800,000
Total	$3,458,300,000

The 2012 Legislation provides that (1) if the permitted amount of Transportation Program Bonds, or any portion thereof, is not incurred in a Fiscal Year, it may be issued in a subsequent Fiscal Year and (2) thirty percent (30%) of the permitted amount of Transportation Program Bonds for a Fiscal Year may be issued in the Fiscal Year preceding such Fiscal Year provided that (a) any Transportation Program Bonds issued in the Fiscal Year preceding such Fiscal Year, shall be deducted from the authorization for the Fiscal Year from which it was taken, and (b) the proceeds of any such Transportation Program Bonds shall not be encumbered until the Fiscal Year from which the deduction of the authorization was taken. See "STATUTORY DEBT ISSUANCE LIMITATIONS" herein.

The issuance of bonds, notes or other obligations, including subordinated obligations of the Authority pursuant to the 2012 Transportation Program Bond Resolution (as hereinafter defined), for refunding purposes is not subject to the limitations described in the preceding paragraph. However, the Act provides that no refunding bonds shall be issued unless the Authority shall first determine that the present value of the aggregate principal amount of and interest on the refunding bonds is less than the present value of the aggregate principal amount of and interest on the outstanding bonds to be refinanced, with present value computed using a discount rate equal to the yield of those refunding bonds, and yield computed using an actuarial method based upon a 360-day year with semiannual compounding and upon the prices paid to the Authority by the initial purchasers of those refunding bonds. The Act further provides that upon the decision by the Authority to issue refunding bonds, and prior to the sale of those refunding bonds, the Authority shall transmit to the Joint Budget Oversight Committee (the "JBOC") of the New Jersey State Legislature (the "State Legislature") a report that a decision has been made, reciting the basis on which the decision was made, including an estimate of the debt service savings to be achieved and the calculations upon which the Authority relied when making the decision to issue refunding bonds. The report shall also disclose the intent of the Authority to issue and sell the refunding bonds at public or private sale and the reasons therefor. Pursuant to the Act, no refunding bonds shall be issued unless the report has been submitted to and approved by JBOC.

The 2012 Legislation provides that the payment of debt service on Transportation Program Bonds and any agreement securing such Transportation Program Bonds shall be paid solely from revenues dedicated pursuant to the New Jersey Constitution, including Article VIII, Section II, paragraph 4 (the "Constitutionally Dedicated Revenues"), and deposited into the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds (the "Subaccount for Debt Service for Transportation Program Bonds") established pursuant to the 2012 Legislation. See "SECURITY FOR THE 2013 SERIES AA BONDS – Constitutional Dedication of Certain State Revenues" herein.

To implement the new financing arrangement provided for by the 2012 Legislation, the Authority adopted its 2012 Transportation Program Bond Resolution (the "2012 Transportation Program Bond Resolution") on October 26, 2012, and the Authority, the State Treasurer and the Commissioner entered into the State Contract (as defined herein) as of December 4, 2012.

The 2013 Series AA Bonds are being issued pursuant to the Act and the 2012 Transportation Program Bond Resolution, as amended and supplemented, including by the Second Supplemental Transportation Program Bond Resolution, adopted on July 29, 2013 (the "Second Supplemental Resolution") and a series certificate of the Authority to be dated as of the date of sale of the 2013 Series AA Bonds (the "Series Certificate"). The Authority's 2012 Transportation Program Bond Resolution, as amended and supplemented, including by the Second Supplemental Resolution and the Series Certificate, and as the same may be amended and supplemented from time to time, is collectively referred to herein as the "Resolution." U.S. Bank National Association, Morristown, New Jersey, has been appointed as trustee (the "Trustee") and paying agent (the "Paying Agent") for obligations issued under the Resolution, including the 2013 Series AA Bonds.

The Resolution constitutes a contract between the Authority and the holders of the bonds issued and outstanding thereunder. All such bonds, including the 2013 Series AA Bonds, are referred to collectively as the "Bonds." All capitalized terms used but not defined in this Official Statement shall have the meanings given to them in the Resolution. See "APPENDIX II — COPY OF THE RESOLUTION."

The 2013 Series AA Bonds are the second Series of Bonds to be issued under the Resolution and will be secured on a parity with the Authority's $920,745,000 Transportation Program Bonds, 2012 Series AA issued on December 11, 2012 (the "2012 Series AA Bonds") and with all Bonds to be issued from time to time under the Resolution. After the issuance of the 2013 Series AA Bonds, the Authority will have outstanding $_____ in aggregate principal amount of Bonds issued under the Resolution.

The 2013 Series AA Bonds are secured by the Pledged Property (as defined in the Resolution) which consists primarily of revenues received by the Authority from the State pursuant to the Act and the State Contract (defined below). The payment of all such revenues to the Authority is subject to and dependent upon appropriations being made from time to time by the State Legislature. However, the State Legislature has no legal obligation to make any such appropriations. See "SECURITY FOR THE 2013 SERIES AA BONDS - Property Pledged to the 2013 Series AA Bonds; the State Contract; the Act; the Resolution" herein.

As of June 30, 2013, the Authority had outstanding $13,429,810,716 in aggregate principal amount of its Transportation System Bonds (the "Prior Bonds") issued under its 1995 Transportation System Bond Resolution, as amended and supplemented (the "Prior Bond Resolution"). All Prior Bonds are payable from the Constitutionally Dedicated Revenues, which are also the source of payment for the Transportation Program Bonds, as well as certain statutorily dedicated revenues which may not be used to pay debt service on Transportation Program Bonds.

All references in this Official Statement to the Act and the Resolution are qualified in their entirety by reference to the complete text of the Act and the Resolution, copies of which are available from the Authority, and all references to the 2013 Series AA Bonds are qualified in their entirety by reference to the definitive form thereof and the provisions with respect thereto contained in the Resolution.

SECURITY FOR THE 2013 SERIES AA BONDS

Property Pledged to the 2013 Series AA Bonds; the State Contract; the Act; the Resolution

The 2013 Series AA Bonds are payable and secured under the Resolution on a parity with the 2012 Series AA Bonds and all other Bonds to be issued from time to time thereunder. All Bonds issued under the Resolution are special obligations of the Authority payable solely from the property pledged to their payment as hereinafter described. Pursuant to the Resolution, all of such property is pledged and assigned as security for the payment of the principal of and interest on the Bonds as well as (i) the Authority's reimbursement obligations or scheduled swap payments with respect to any Financing Facility (which include Swap Agreements and reimbursement agreements for credit facilities) which it may obtain in connection with the issuance of any Series of Bonds and (ii) any Subordinated Debt which may be issued under the Resolution. Currently, there are no financing facilities or Subordinated Debt outstanding under the Resolution. The Resolution provides that all Pledged Property shall immediately become subject to the lien of said pledge without any physical delivery thereof or further act, and that such lien shall be valid and binding against all persons having claims of any kind in tort, contract or otherwise against the Authority. See "APPENDIX II — COPY OF THE RESOLUTION — Pledge of Pledged Property" herein.

Pursuant to the Resolution, the "Pledged Property" consists of:

(i) with respect to the Bond Payment Obligations and, to the extent provided in any Supplemental Resolution or Series Certificate authorizing a Series which is to be secured, in whole or in part, by, or payable, in whole or in part, from, a Financing Facility, the applicable Financing Facility Payment Obligations, the State Contract, the Revenues and Funds, other than the Program Rebate Fund and the Proceeds Account of the Transportation Program Improvement Fund, including Investment Securities held in any such Fund under the Resolution, together with all proceeds and revenues of the foregoing and all of the Authority's right, title and interest in and to the foregoing, and all other moneys, securities or funds pledged for the payment of the Bonds in accordance with the terms and provisions of the Resolution,

(ii) with respect to any Series of Bonds in connection with which the Authority has obtained a Financing Facility, and to the extent provided in the applicable Supplemental Resolution or Series Certificate, the applicable Financing Facility and Financing Facility Revenues and all moneys from time to time held in any applicable subaccount within the Program Debt Service Fund, and

(iii) with respect to any Subordinated Debt, the amounts, if any, on deposit from time to time in the Program Subordinated Debt Fund and available for such payment.

Under the Resolution, "Revenues" means: (i) all amounts appropriated and paid to the Authority from the Transportation Trust Fund Account - Subaccount for Debt Service for Transportation Program Bonds in the State General Fund pursuant to the Act, (ii) all amounts appropriated and paid to the Authority by the Treasurer pursuant to the State Contract, (iii) all Swap Revenues, and (iv) interest received or to be received on any moneys or securities held pursuant to the Resolution and paid or required to be paid into the Transportation Program Improvement Fund – Non Proceeds Account; provided, however, that the term "Revenues" does not include Financing Facility Revenues, which are all amounts received by the Authority or the Trustee pursuant to any Financing Facility, or "Revenues" as defined in any other resolution of the Authority. "Funds" constituting the Pledged Property are any Funds established pursuant to the Resolution, including any moneys or Investment Securities held therein, other than the Program Rebate Fund and the Proceeds Account of the Transportation Program Improvement Fund.

Pursuant to the Act, the Authority, the State Treasurer and the Commissioner have entered into an agreement entitled "Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with respect to Transportation Program Bonds, dated as of December 4, 2012, as may be amended from time to time (the "State Contract"). The State Contract implements the financing and funding arrangements contemplated by the Act, as amended by the 2012 Legislation. A copy of the State Contract is attached as APPENDIX III to this Official Statement.

All payments by the State to the Authority are subject to and dependent upon appropriations being made from time to time by the State Legislature for the purposes of the Act. See APPENDIX I attached hereto for a summary of certain financial and other information relating to the State. The State Legislature has always made appropriations in previous Fiscal Years in amounts sufficient to pay debt service on the Bonds, the Prior Bonds and all other obligations of the Authority issued under the Resolution or the Prior Bond Resolution. However, the State Contract does not legally obligate the State Legislature to appropriate moneys sufficient to pay amounts when due on the 2013 Series AA Bonds or otherwise due under the State Contract. Thus, although the Resolution provides for the remedy of specific performance to require the Authority to perform its covenants in the Resolution (including its covenants to enforce the terms of the State Contract), there are no remedies available to the Bondholders in the event that the State Legislature does not appropriate sufficient funds to make payments when due under the State Contract.

Event of Non-Appropriation

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

The Resolution provides that, notwithstanding anything contained therein to the contrary, a failure by the Authority to pay when due any Bond Payment Obligations, Swap Payment Obligations or Financing Facility Payment Obligations required to be made under the 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 the Resolution or the Bonds, resulting from the occurrence of an Event of Non-Appropriation shall not constitute an Event of Default under the Resolution.

Upon the occurrence of an Event of Non-Appropriation (or the failure by the Authority to pay the principal or Redemption Price of and interest on any Series of Bonds or notes resulting from such Event of Non-Appropriation), the Trustee on behalf of the Holders of the applicable Series of Bonds or notes has no remedies. The Trustee may not accelerate Bonds or notes. The Authority has no obligation to pay any Bond Payment Obligations or Financing Facility Payment Obligations with respect to which an Event of Non-Appropriation has occurred. However, the Authority would remain obligated to pay such Bond Payment Obligations and Financing Facility Payment Obligations, with interest thereon at the rate in effect with respect to the applicable Series of Bonds or notes, and all future Bond Payment Obligations and Financing Facility Payment Obligations, to the extent State appropriations are subsequently made for such purposes.

If an Event of Non-Appropriation shall occur and be continuing, and provided that there shall not have occurred and then be continuing any Event of Default, the Trustee shall apply the Pledged Property, including all moneys, securities, funds and Revenues received by the Trustee pursuant to any right given or action taken under the provisions of the Resolution, together with all Funds held by the Trustee under the Resolution (other than the Program Rebate Fund and the Proceeds Account of the Transportation Program Improvement Fund), as follows and in the following order of priority:

(i) to the payment of the reasonable and proper fees (including reasonable attorney's fees), charges, expenses and liabilities of the Fiduciaries;

(ii) to the payment of the interest and principal or Redemption Price then due on the Bonds and Financing Facility Payment Obligations, as follows:

First: To the payment of interest then due on the Bonds and Parity Financing Facility Obligations in the order of the maturity of the installments thereof then due, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest or Parity Financing Facility Obligations maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, without priority or preference of any Bond or Parity Financing Facility Obligation over any other;

Second: To the payment of the unpaid principal or Redemption Price of any Bonds and Parity Financing Facility Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all Bonds or Parity Financing Facility Obligations due on any date, then to the payment thereof ratably, according to the amounts due in respect of each Bond or Parity Financing Facility Obligation, without any priority or preference over any other; and

Third: To the payment to any Financing Facility Provider of any Subordinated Financing Facility Payment Obligation then due and, if the amounts available are insufficient to pay in full all Subordinated Financing Facility Payment Obligations, then to the payment thereof ratably, without preference or priority of any Subordinated Financing Facility Payment Obligation over any other.

Notwithstanding the foregoing, to the extent provided in the applicable Supplemental Resolution or Series Certificate, Financing Facility Revenues shall be applied to the payment of principal or Redemption Price of, and interest on, the Bonds to which such Financing Facility relate, and amounts which would otherwise be paid to the holders of such Bonds shall be paid to the applicable Financing Facility Provider.

Statutory Dedication of Certain State Revenues

The Act, as amended by Section 5 of the 2012 Legislation, provides that during each Fiscal Year in which the Authority has Bonds outstanding, the State Treasurer shall, to the extent appropriated by the State Legislature, credit to the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds, a portion of the revenues derived from the following:

(a) an amount equivalent to the revenue derived from $0.105 per gallon from the tax imposed on the sale of motor fuels pursuant to chapter 39 of Title 54 of the Revised Statutes (the "Motor Fuels Tax"), plus

(b) an amount equivalent to the revenue derived from the tax imposed on the sale of petroleum products pursuant to L. 1990, c. 42 (C. 54:15B-1 et seq.), but not less than $200,000,000 during any Fiscal Year, plus

(c) an amount equivalent to the revenue derived from the tax imposed under the "Sales and Use Tax Act," L. 1966, c. 30 (C. 54:32B-1 et seq.) on the sale of new motor vehicles, but not less than $200,000,000 for any Fiscal Year.

The Act further provides that, subject to appropriations being made from time to time by the State Legislature for the purposes of the Act, the State Treasurer shall pay to the Authority, no later than the

fifth (5th) business day of the month following the month in which a credit has been made, the amounts credited to the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds, and further provided that the revenues deposited into the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds shall consist solely of revenues which are dedicated pursuant to the New Jersey Constitution, including Article VIII, Section II, paragraph 4, and paragraphs (a), (b) and (c) above.

In accordance with the Act, the Authority, the State Treasurer and the Commissioner have entered into the State Contract, which provides for the payments of these revenues to the Authority, subject to appropriations being made by the State Legislature for the purposes of the Act. The State Contract further provides that in addition to all other amounts to be credited to the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds, there shall be credited to the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds in each Fiscal Year any additional amounts from the Sales and Use Tax necessary to secure and provide for the payment of the Transportation Program Bonds, notes or other obligations issued under the Resolution. See "SECURITY FOR THE 2013 SERIES AA BONDS- Constitutional Dedication of Certain State Revenues" below and "APPENDIX III - COPY OF THE STATE CONTRACT" hereto.

Constitutional Dedication of Certain State Revenues

Senate Concurrent Resolution No. 78 of 2006, which was passed by the State General Assembly and State Senate on June 27, 2006 and approved by the voters of the State in the November 2006 general election, amended Article VIII, Section II, Paragraph 4 of the New Jersey State Constitution to provide as follows:

> There shall be credited to a special account in the General Fund the following:
>
> A. for each State Fiscal Year commencing on and after July 1, 2007, an amount equivalent to the revenue derived from $0.105 per gallon from the tax imposed on the sale of motor fuels pursuant to Chapter 39 of Title 54 of the Revised Statutes;
>
> B. for the State Fiscal Year 2001 an amount not less than $100,000,000 derived from the State revenues collected from the tax on the gross receipts of the sale of petroleum products imposed pursuant to L. 1990, c. 42 (C. 54:15B-1 et seq.), as amended and supplemented, or any other subsequent law of similar effect, and for each State Fiscal Year thereafter an amount not less than $200,000,000 derived from those revenues; and
>
> C. for the State Fiscal Year 2002 an amount not less than $80,000,000 from the State revenue collected from the State tax imposed under the "Sales and Use Tax Act," pursuant to L. 1966, c. 30 (C. 54:32B-1 et seq.), as amended and supplemented, or any other subsequent law of similar effect, for the State Fiscal Year 2003 an amount not less than $140,000,000 from those revenues, and for each State Fiscal Year thereafter an amount not less than $200,000,000 from those revenues;
>
> provided, however, the dedication and use of such revenues as provided in this paragraph shall be subject and subordinate to (i) all appropriations of revenues from such taxes made by laws enacted on or before December 7, 2006 in accordance with Article VIII, Section II, paragraph 3 of the State Constitution in order to provide the ways and means to pay the principal and interest on bonds of the State presently outstanding or authorized to be issued under such laws or (ii) any other use of those revenues enacted into law on or before December 7, 2006.

These amounts shall be appropriated from time to time by the State Legislature, only for the purposes of paying or financing the cost of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the transportation system in the State and it shall not be competent for the State Legislature to borrow, appropriate or use these amounts or any part thereof for any other purpose, under any pretense whatsoever. (Article VIII, Section II, Paragraph 4 of the New Jersey State Constitution).

The above provision of the New Jersey Constitution does not require that the constitutionally dedicated amounts be appropriated to the Authority. However, pursuant to the Act, any contract, such as the State Contract, providing for the payment of Transportation Program Bonds and securing such Transportation Program Bonds, shall provide that such payment shall be made solely from revenues dedicated pursuant to Article VIII, Section II, Paragraph 4 of the New Jersey State Constitution. Pursuant to the State Contract, the State Treasurer must, subject to appropriation by the State Legislature, credit to the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds and pay to the Authority, a portion of an amount equivalent to the revenues derived from the dedicated amount of the Motor Fuels Tax and a portion of the dedicated amounts of the other taxes described in clauses B and C above.

State Appropriations

Although the State Legislature has always made appropriations to the Authority in each Fiscal Year in amounts sufficient to timely pay the debt service on all of the Authority's outstanding indebtedness coming due in such Fiscal Year under the Resolution and the Prior Bond Resolution, the State Legislature, in several Fiscal Years, has made appropriations to the Authority which were less than the minimum amounts specified for such Fiscal Year in the "Second Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act," dated as of June 1, 2006 (as amended and restated by the Third Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act, the "Prior Bonds State Contract"), by and among the Authority, the State Treasurer and the Commissioner.

For Fiscal Year 2014 which began on July 1, 2013, the State Legislature appropriated $97,562,000 to the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds, which amount will be sufficient to pay the debt service on the Bonds coming due in such Fiscal Year.

There can be no assurance that, in the event the State experiences financial difficulty, or the adoption of the annual appropriations act is delayed, or for any other reason, the State Legislature will appropriate sufficient funds in the future to enable the Authority to timely pay the principal of or interest on the Outstanding Transportation Program Bonds of the Authority.

State General Taxing Power Not Pledged

Pursuant to the Act and the Resolution, the 2013 Series AA Bonds shall be special obligations of the Authority and shall not be in any way 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 of 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. The Authority has no taxing power. All bonds, notes or other obligations of the Authority issued under the Resolution, unless funded or refunded by bonds, notes or other obligations of the Authority, shall be payable solely from the Pledged Property under the Resolution.

Flow of Funds

Pursuant to the Resolution, all Revenues are required to be promptly deposited by the Authority as received into the Non Proceeds Account of the Transportation Program Improvement Fund. The Authority is required to pay, transfer or credit to the Trustee, for deposit in the following Funds and Accounts, on the following dates and in the following order of priority the amounts set forth below, but only to the extent the amount in the Non Proceeds Account of the Transportation Program Improvement Fund shall be sufficient therefor:

(1) On or before each Payment Date with respect to each Series of Bonds, for deposit in the Program Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the amounts of Debt Service on all Series of Bonds coming due on such Payment Date.

(2) On or before the due dates thereof, for deposit in the Program Debt Service Fund, the amount of any Financing Facility Payment Obligations.

(3) On or before the due dates thereof, and subject and subordinate at all times to the payments, credits or transfers required as described in paragraphs 1 and 2 above, for deposit in the Program Subordinated Debt Fund, the amount of any principal, prepayment or redemption price, interest or other amounts payable in connection with any Subordinated Debt.

Certain Covenants of the State and the Authority

Pursuant to the Act, the State has covenanted (i) that it will not limit or alter the rights or powers of the Authority in any way that would jeopardize the interests of the holders of the bonds, notes or other obligations of the Authority, (ii) that it will not inhibit or prevent performance or fulfillment by the Authority of the terms of any agreements made with the holders of the bonds, notes or other obligations of the Authority, and (iii) that it will not prevent the Authority from obtaining sufficient revenues which, together with other available funds, shall be sufficient to meet all expenses of the Authority and fulfill the terms of any agreement made with the holders of the bonds, notes or other obligations of the Authority, together with the interest thereon, interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of the bonds, notes or other obligations of the Authority, until the bonds, notes or other obligations of the Authority, together with interest thereon, are fully met and discharged or provided for. However, the Act further provides that the failure of the State to appropriate moneys for any purpose of the Act shall not be deemed or construed to be a violation of these covenants.

Under the Resolution, the Authority has covenanted with the Bondholders that it will collect and forthwith cause to be deposited with a Depository in the Non Proceeds Account of the Transportation Program Improvement Fund all amounts, if any, payable to it pursuant to the State Contract and that it will not consent or agree to or permit any amendment, change or modification to the State Contract which would reduce the amounts payable to the Authority or extend the times when such payments are to be made thereunder. In addition, the Resolution provides that the Trustee, as the assignee of the Authority, shall enforce the provisions of the State Contract and agreements thereunder. The Authority has also covenanted to pay, but solely from the Pledged Property, the Debt Service coming due on the Bonds in each year in which Bonds issued by the Authority are outstanding.

Refunding Bonds

One or more series of Refunding Bonds may be issued at any time to refund any or all Outstanding Bonds. Such 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 Resolution required by the provisions of the Supplemental Resolution authorizing such Refunding Bonds. The Act provides that no Refunding Bonds shall be issued unless the Authority shall first determine that the present value of the aggregate principal of and interest on the Refunding Bonds is less than the present value of the aggregate principal of and interest on the Outstanding Bonds to be refinanced, with present value to be computed using a discount rate equal to the yield of those Refunding Bonds, and yield shall be computed using an actuarial method based upon a 360-day year with semiannual compounding and upon the prices paid to the Authority by the initial purchasers of those Refunding Bonds. (See "APPENDIX II — COPY OF THE RESOLUTION — Refunding Bonds"). Any decision by the Authority to issue refunding bonds must be approved by JBOC.

Prior Bonds

As of June 30, 2013, the Authority had outstanding $13,429,810,716 in aggregate principal amount of its Prior Bonds issued under the Prior Bond Resolution. All Prior Bonds are payable from the Constitutionally Dedicated Revenues, which are also the source of payment for the Transportation Program Bonds, as well as certain statutorily dedicated revenues which may not be used to pay debt service on Transportation Program Bonds.

Amendments to the Resolution

Pursuant to the 2012 Transportation Program Bond Resolution, any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution with the written consent of (a) at least a majority in principal amount of the Bonds Outstanding at the time such consent is given who are affected by the proposed modification or amendment; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and 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 and (b) any Financing Facility Provider the consent of which is required by the applicable Financing Facility. For the purpose of this provision, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. In the case of amendments or modifications to the Resolution which are to take effect simultaneously with the issuance or remarketing of Bonds of one or more Series and which amendments or modifications are disclosed in the official statement or other offering document for such Series, purchasers of such Bonds shall be deemed to have consented to such amendments or modifications by virtue of their having purchased such Bonds and the written consents of such purchasers shall not be required. In addition, brokers, dealers and municipal securities dealers that purchase Bonds with a view to distribution may vote the Bonds which they purchase if, and only if, the official statements or other offering documents for all existing Bonds at the time Outstanding under the Resolution expressly disclosed that brokers, dealers and municipal securities dealers that purchase Bonds with a view to distribution may vote the Bonds which they purchase.

Notwithstanding the foregoing, no modification or amendment of the Resolution shall permit a change in the terms of redemption (including sinking fund installment) or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof 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 assent thereto, or shall permit a change in the terms of redemption or prepayment of any Subordinated Debt or the payment of interest thereon or any

other amount payable in connection therewith without the consent of the holder of such Subordinated Debt.

STATUTORY DEBT ISSUANCE LIMITATIONS

The Act, as amended by the 2012 Legislation, authorizes the issuance of Transportation Program Bonds in each of the State Fiscal Years 2013 through and including 2016 up to the maximum aggregate principal amounts set forth below:

Fiscal Year (July 1 to June 30)	Maximum Aggregate Principal Amount of Transportation Program Bonds Authorized to be Issued
2013	$1,247,000,000
2014	849,200,000
2015	735,300,000
2016	626,800,000
Total	$3,458,300,000

The 2012 Legislation provides that (1) if the permitted amount of Transportation Program Bonds, or any portion thereof, is not incurred in a fiscal year, it may be issued in a subsequent fiscal year and (2) thirty percent (30%) of the permitted amount of Transportation Program Bonds for a fiscal year may be issued in the fiscal year preceding such fiscal year provided that (a) any Transportation Program Bonds issued in the fiscal year preceding such fiscal year, shall be deducted from the authorization for the fiscal year from which it was taken, and (b) the proceeds of any such Transportation Program Bonds shall not be encumbered until the fiscal year from which the deduction of the authorization was taken.

Refunding Bonds

The issuance of bonds, notes or other obligations, including subordinated obligations of the Authority under the Resolution, issued for refunding purposes is not subject to the limitations described in the preceding paragraphs. However, the Act provides that no refunding bonds shall be issued unless the Authority shall first determine that the present value of the aggregate principal amount of and interest on the refunding bonds is less than the present value of the aggregate principal amount of and interest on the Outstanding Bonds to be refinanced, with present value computed using a discount rate equal to the yield of those refunding bonds, and yield computed using an actuarial method based upon a 360-day year with semiannual compounding and upon the prices paid to the Authority by the initial purchasers of those refunding bonds. The Act further provides that upon the decision by the Authority to issue refunding bonds, and prior to the sale of those refunding bonds, the Authority shall transmit to JBOC a report that a decision has been made, reciting the basis on which the decision was made, including an estimate of the debt service savings to be achieved and the calculations upon which the Authority relied when making the decision to issue refunding bonds. The report shall also disclose the intent of the Authority to issue and sell the refunding bonds at public or private sale and the reasons therefor.

Prior Bonds

As of the date hereof, there is no remaining unused statutory debt cap under the Act, as amended by L. 2006, c. 3, for the Prior Bonds (except for a nominal amount representing the amount thereof in excess of the nearest integral multiple of $5,000). Accordingly, under the Act, only refunding bonds may be issued under the Prior Bond Resolution. See "PRIOR BONDS" herein.

PRIOR BONDS

As of June 30, 2013, the Authority had outstanding $13,429,810,716 in aggregate principal amount of its Prior Bonds. All Prior Bonds are payable from the Constitutionally Dedicated Revenues, which are also the source of payment for the Transportation Program Bonds, as well as certain statutorily dedicated revenues which may not be used to pay debt service on Transportation Program Bonds.

The statutory debt issuance limitations for the Prior Bonds were last set by L. 2006, c. 3. The Act, as amended by L. 2006, c. 3, provided, in pertinent part, that up to an aggregate principal amount of $1,600,000,000 of debt constituting Prior Bonds issued under the Prior Bond Resolution, other than debt issued to refund Prior Bonds, was permitted to be issued in Fiscal Years 2007 through 2011. If a portion of that permitted amount of debt was not incurred in a Fiscal Year, the unused portion could be incurred in a subsequent Fiscal Year in addition to the amount permitted for such subsequent Fiscal Year.

The issuance of Prior Bonds for refunding purposes is not subject to the limitations described in the preceding paragraph. However, the issuance of Prior Bonds for refunding purposes is subject to the same conditions as apply to the issuance of Refunding Bonds under the Resolution, which conditions are described herein under the heading "STATUTORY DEBT ISSUANCE LIMITATIONS – Refunding Bonds."

For Fiscal Year, 2014, which began July 1, 2013, the State Legislature appropriated $1,062,990,000 to the Transportation Trust Fund Account – Subaccount for Debt Service for Prior Bonds, which amount is expected to be sufficient to pay the debt service on all of the outstanding indebtedness under the Prior Bond Resolution coming due in such Fiscal Year, without adjustment for the federal cash subsidy for those Prior Bonds issued as Build America Bonds.

PLAN OF FINANCE

Pursuant to the Act and the Resolution, the Authority is issuing the 2013 Series AA Bonds for the purpose of (i) paying State Transportation System Costs, and (ii) paying certain costs of issuance of the 2013 Series AA Bonds. A portion of the proceeds of the 2013 Series AA Bonds will be deposited into the Proceeds Account of the Transportation Program Improvement Fund established under the Resolution and applied to the payment of State Transportation System Costs. See "THE TRANSPORTATION SYSTEM IMPROVEMENTS" herein for a description of Transportation System Improvements.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the 2013 Series AA Bonds are expected to be as set forth below:

SOURCES OF FUNDS
Par Amount of 2013 Series AA Bonds
Net Original Issue [Premium][Discount]
Total Sources of Funds

USES OF FUNDS
Deposit to Proceeds Account of the
Transportation Program Improvement Fund
Costs of Issuance[1]
Underwriters' Discount
Total Uses of Funds

[1]Includes bond ratings, printing, legal and Trustee's fees and other expenses relating to the issuance and sale of the 2013 Series AA Bonds.

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DESCRIPTION OF THE 2013 SERIES AA BONDS

General

The Resolution, the State Contract and all provisions thereof are incorporated by reference in the text of the 2013 Series AA Bonds. Copies of the Resolution, including the full text of the form of the 2013 Series AA Bonds, and the State Contract are on file at the principal corporate trust office of the Trustee and are available there for inspection and copying. The following is a summary of certain provisions of the 2013 Series AA Bonds and is qualified by reference thereto.

The 2013 Series AA Bonds are to be dated and bear interest from the date of delivery and will mature on the dates and in the principal amounts set forth on the inside front cover hereof. So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the registered owner of the 2013 Series AA Bonds, payments of the principal of and interest on the 2013 Series AA Bonds will be made by the Paying Agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the 2013 Series AA Bonds. See "Book-Entry Only System" herein.

The 2013 Series AA Bonds will be issued in fully registered book-entry-only form, without certificates. One certificate shall be issued for the aggregate principal amount of 2013 Series AA Bonds for each interest rate within a stated maturity, and when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the 2013 Series AA Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the 2013 Series AA Bonds on behalf of the individual purchasers. Individual purchases may be made in denominations of $5,000, or any integral multiple thereof, through book entries made on the books and the records of DTC and its participants. Individual purchasers of the 2013 Series AA Bonds will not receive certificates representing their beneficial ownership interests in the 2013 Series AA Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the 2013 Series AA Bonds purchased. In the event the 2013 Series AA Bonds are no longer subject to the DTC Book-Entry Only System, the principal or Redemption Price of 2013 Series AA Bonds will be payable upon surrender of the respective 2013 Series AA Bonds at a designated corporate trust office of the Paying Agent. See "DESCRIPTION OF THE 2013 SERIES AA BONDS - Book-Entry Only System" herein.

The 2013 Series AA Bonds will be dated their date of delivery, will be issued in denominations of $5,000 or any integral multiple thereof (an "Authorized Denomination") and will bear interest at the rates shown on the inside cover of this Official Statement, payable initially on December 15, 2013, and semiannually thereafter on June 15 and December 15 in each year, until maturity or prior redemption. Interest will be payable by the Trustee to those registered owners of the applicable 2013 Series AA Bonds whose names appear on the bond register as of the fifteenth (15th) day next preceding each June 15 and December 15 (the "Record Date"). Interest on the 2013 Series AA Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Redemption Provisions

Optional Redemption. The 2013 Series AA Bonds maturing on or after June 15, 202_ are subject to optional redemption prior to maturity at the option of the Authority, at any time on or after June 15, 202_, either in whole or in part, from maturities selected by the Authority at a Redemption Price equal to ___% of the principal amount of the 2013 Series AA Bonds being redeemed, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The 2013 Series AA Bonds maturing on June 15, 20__, are subject to mandatory sinking fund redemption prior to maturity, in part, on _____ in each of the years and in the respective principal amounts set forth below, at a Redemption Price equal to 100% of the principal amount being redeemed, plus accrued interest, if any, to the date of redemption, from mandatory Sinking Fund Installments:

The 2013 Series AA Bonds may be purchased by the Authority to satisfy the above Sinking Fund Installments from amounts on deposit in the Program Debt Service Fund or from other available funds of the Authority. Unless the Trustee is otherwise directed in writing by the Authority, the 2013 Series AA Bonds so purchased shall be credited toward each Sinking Fund Installment thereafter to become due in an amount bearing the same ratio to each such Sinking Fund Installment as the total principal amount of all the 2013 Series AA Bonds so purchased bears to the total amount of all such Sinking Fund Installments to be so credited.

Selection of Bonds to be Redeemed. If less than all of the 2013 Series AA Bonds are called for redemption, the Authority will select the maturity or maturities of the 2013 Series AA Bonds to be redeemed, and DTC will select the 2013 Series AA Bonds within the same maturity to be redeemed by means of a random lottery, or if the book-entry system with DTC or any other securities depository has been discontinued, the particular 2013 Series AA Bonds to be redeemed will be selected by the Trustee, in such manner as the Trustee in its discretion may deem fair and appropriate. However, the portion of any 2013 Series AA Bond to be redeemed shall be in the principal amount of $5,000 or any multiple thereof, and in selecting 2013 Series AA Bonds for redemption, the Trustee is required to treat each such 2013 Series AA Bond as representing that number of 2013 Series AA Bonds which is obtained by dividing the principal amount of such 2013 Series AA Bond by $5,000.

Notice of Redemption. When the Trustee shall receive notice from the Authority of its election or direction to redeem the 2013 Series AA Bonds, and when redemption of the 2013 Series AA Bonds is authorized or required pursuant to the Resolution, the Trustee shall give notice, in the name of the Authority, of the redemption of such 2013 Series AA Bonds, which notice shall specify the maturities of the 2013 Series AA Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the 2013 Series AA Bonds of the same maturity are to be redeemed, the letters and numbers or other distinguishing marks of such 2013 Series AA Bonds so to be redeemed, and, in the case of 2013 Series AA 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 the redemption date there shall become due and payable upon each 2013 Series AA Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of 2013 Series AA Bonds to be redeemed in part only, together with interest accrued 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, postage prepaid, not less than twenty-five (25) days prior to the redemption date, to the registered owners of any 2013 Series AA Bonds or portions of 2013 Series AA Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure of the registered owner of any 2013 Series AA Bonds which are to be redeemed to receive any such notice shall not affect the validity of the proceedings for the redemption of 2013 Series AA Bonds.

If at the time of the mailing of notice of redemption, the Authority shall not have deposited with the Trustee or the Paying Agent, as applicable, moneys sufficient to redeem all the 2013 Series AA Bonds called for redemption, such notice shall state that it is conditional and subject to the deposit of the redemption moneys with the Trustee or the Paying Agent, as applicable, on the Redemption Date, and such notice shall be of no effect unless such moneys are so deposited.

So long as DTC is acting as securities depository for the 2013 Series AA Bonds, all notices of redemption required to be given to the registered owners of the 2013 Series AA Bonds will be given to DTC.

Mandatory Tender for Purchase of Bonds in Lieu of Optional Redemption

Whenever any Bonds are subject to redemption at the option of the Authority, the Authority may, upon written notice to the Trustee and the delivery of an opinion of Bond Counsel that such action will not adversely affect the tax-exempt status of any Outstanding Bonds, elect to call such Bonds for mandatory tender for purchase in lieu of optional redemption at a purchase price equal to the then applicable Redemption Price of such Bonds. The Authority shall give written notice to the Trustee of its election not less than two (2) Business Days prior to the date on which the Trustee is required to give notice of such mandatory tender for purchase to the Bondholders (or such shorter period as shall be acceptable to the Trustee). The provisions of the Resolution or any Supplemental Resolution or Series Certificate applicable to the redemption of Bonds at the option of the Authority shall also apply to a mandatory tender for purchase of such Bonds in lieu of optional redemption at the Authority's election.

Book-Entry Only System

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. However, the Authority takes no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners (as defined below) should rely on the following information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

General. Ownership interests in the 2013 Series AA Bonds will be available to purchasers only through a book-entry system (the "Book-Entry System") maintained by DTC, New York, New York, which will act as securities depository for the 2013 Series AA Bonds. The 2013 Series AA 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. Initially, one fully registered Bond certificate will be issued for each maturity of the 2013 Series AA Bonds, in the aggregate principal amount of such maturity of the 2013 Series AA Bonds, and will be deposited with DTC. The following discussion will not apply to any 2013 Series AA Bonds issued in certificate form due to the discontinuance of DTC's Book-Entry System, as described below.

DTC and its Participants. DTC, the world's largest 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchase of Ownership Interests. Purchases of 2013 Series AA Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Series AA Bonds on DTC's records. The ownership interest of each actual purchaser of a 2013 Series AA 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 transactions, 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 2013 Series AA 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 2013 Series AA Bonds, except in the event that use of the book-entry system for the 2013 Series AA Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all 2013 Series AA 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 2013 Series AA 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 2013 Series AA Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 Series AA 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.

Notices. 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 2013 Series AA Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013 Series AA Bonds, such as redemptions, defaults, and proposed amendments to the documents relating to the 2013 Series AA Bonds. For example, Beneficial Owners of 2013 Series AA Bonds may wish to ascertain that the nominee holding the 2013 Series AA 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 notices be provided directly to them.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2013 Series AA 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 possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2013 Series AA Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. Principal and interest payments on the 2013 Series AA 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 accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal and interest on the 2013 Series AA Bonds 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 Direct and Indirect Participants.

Discontinuation of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the 2013 Series AA Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates for the 2013 Series AA Bonds are required to be printed and delivered. The use of the system of book-entry transfers through DTC (or a successor depository) may be discontinued as described in the Resolution. In that event, Bond certificates for the 2013 Series AA Bonds will be printed and delivered.

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 takes no responsibility for the accuracy thereof.

THE AUTHORITY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO THE DIRECT PARTICIPANTS OR THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE 2013 SERIES AA BONDS (I) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE 2013 SERIES AA BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN 2013 SERIES AA BONDS OR (III) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE HOLDER OF THE 2013 SERIES AA BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE 2013 SERIES AA BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE AUTHORITY KEPT BY THE TRUSTEE AS BEING A BONDHOLDER. THE AUTHORITY AND THE TRUSTEE SHALL HAVE NO RESPONSIBILITY WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2013 SERIES AA BONDS UNDER THE RESOLUTION; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE 2013 SERIES AA BONDS; (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2013 SERIES AA BONDS; OR (V) ANY OTHER MATTER.

SO LONG AS CEDE & CO. IS THE HOLDER OF THE 2013 SERIES AA BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BOND OWNERS OR HOLDERS OF THE 2013 SERIES AA BONDS, OTHER THAN UNDER THE CAPTION "TAX MATTERS," SHALL MEAN CEDE & CO. OR DTC AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2013 SERIES AA BONDS.

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DEBT SERVICE SCHEDULE

The following table sets forth the debt service requirements for the 2013 Series AA Bonds and the 2012 Series AA Bonds in each Fiscal Year.

Fiscal Year	2012 Series AA Bonds Debt Service	2013 Series AA Bonds Principal	2013 Series AA Bonds Interest	Total 2013 Series AA Bonds Debt Service	Aggregate Debt Service
2014	64,460,325				
2015	64,460,525				
2016	64,461,725				
2017	64,457,725				
2018	64,461,975				
2019	64,459,050				
2020	64,458,250				
2021	64,460,000				
2022	64,461,950				
2023	64,459,200				
2024	64,461,200				
2025	64,458,950				
2026	64,458,700				
2027	64,461,200				
2028	64,456,800				
2029	64,460,800				
2030	64,458,800				
2031	64,459,600				
2032	64,460,000				
2033	64,461,500				
2034	64,459,000				
2035	64,459,250				
2036	64,457,750				
2037	64,458,250				
2038	24,619,000				

DEBT SERVICE SCHEDULE – PRIOR BONDS

The following table sets forth the debt service requirements for the Bonds Outstanding under the Prior Bond Resolution and certain related obligations in each Fiscal Year.

Fiscal Year	Total Gross Debt Service[1,2,3]
2014	1,069,511,570
2015	1,069,513,400
2016	1,069,494,581
2017	1,069,507,618
2018	1,069,501,517
2019	1,069,505,829
2020	1,069,497,557
2021	1,069,519,736
2022	1,069,511,369
2023	1,069,514,563
2024	1,069,496,788
2025	1,042,234,142
2026	1,037,908,584
2027	1,034,035,034
2028	1,031,066,251
2029	1,028,070,529
2030	818,686,868
2031	819,582,427
2032	820,508,515
2033	799,183,092
2034	824,218,594
2035	824,218,700
2036	855,722,675
2037	823,467,606
2038	841,465,938
2039	925,783,069
2040	1,004,920,613
2041	882,222,675
2042	167,700,750
Total	**27,345,570,587**

[1] Includes debt service on bonds issued by the Authority and on the New Jersey Economic Development Authority's Transportation Project Sublease Revenue Refunding Bonds (New Jersey Transit Corporation Light Rail Transit System Project) 2008 Series A, as well as the State of New Jersey's Certificates of Participation (Series 2000A) and its Certificates of Participation (Series 2004A), which debt service is payable from funds appropriated to the Authority.

[2] With respect to the Authority's Transportation System Bonds, 2009 Series C and 2009 Series D, includes interest calculated at an assumed rate of 2.5%, Letter of Credit Fees, and Remarketing Fees.

[3] Totals are not adjusted for federal cash subsidy for Build America Bonds.

THE NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

Legal Authority and Responsibilities

The Authority is a public body corporate and politic, with corporate succession, constituted as an instrumentality of the State organized and existing under and pursuant to the Act. For the purpose of complying with Article V, Section IV, Paragraph 1 of the State Constitution, the Authority is allocated within, but is independent of any supervision or control by, the Department. The purpose of the Authority is to provide the payment for and financing of all or a portion of the costs incurred by the Department for the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the State's transportation system, including, without limitation, (i) the State's share (which may include State advances with respect to any Federal share) under Federal aid highway laws of the costs of planning, acquisition, engineering, construction, reconstruction, repair, resurfacing and rehabilitation of public highways, (ii) the State's share (which may include State advances with respect to any Federal share) of the costs of planning, acquisition, engineering, construction, reconstruction, repair, permitted maintenance and rehabilitation of public transportation projects and other transportation projects in the State, and (iii) State aid to counties and municipalities for transportation projects (collectively, the "State Transportation System Costs").

Under the Act, the Commissioner is also authorized to enter into agreements with public or private entities for the loan of federal funds appropriated to the Department for the purpose of financing all, or a portion of, the costs incurred for the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of a transportation project by that public or private entity.

Pursuant to the Act, the Commissioner may from time to time (but not more frequently than monthly) certify to the Authority an amount necessary to fund payments made, or anticipated to be made, by or on behalf of the Department from legislative appropriations to the Department of Authority funds. Under the Act, the Authority is obligated to provide such amount from its revenues or other funds, including proceeds of Bonds and proceeds of Prior Bonds. The Act directs the Authority, within 15 days of receipt of the Commissioner's certificate, to transfer funds to the State Treasurer for deposit in a special fund maintained by the State Treasurer (the "Special Transportation Fund") in an amount equal to the amount so certified by the Commissioner. Expenditures from the Special Transportation Fund may be made on behalf of the Department only pursuant to project-specific legislative appropriations. The Department currently provides such certificates on a monthly basis, when cash is necessary for disbursements for transportation system improvements, to attempt to minimize the amounts maintained in the Special Transportation Fund. The Special Transportation Fund is not pledged as security for obligations issued by the Authority under the Resolution.

Membership and Officers of the Authority

The Act provides that the Authority shall consist of seven members as follows: the Commissioner and the State Treasurer, who are members ex-officio, and five public members. Three of the public members are appointed by the Governor, with the advice and consent of the State Senate, one of whom must represent the interests of trade unions that work on the construction of public highways and another of whom must represent the interests of owners of firms that are eligible to submit bids for the construction of public highways. The two remaining public members also are appointed by the Governor, one upon the recommendation of the President of the State Senate and the other upon the recommendation of the Speaker of the State General Assembly. The public members serve a four-year term; provided, however, that the public member appointed by the Governor upon recommendation of the Speaker of the State General Assembly serves a two-year term. Each public member holds office for the term of the member's appointment and until a successor has been appointed and qualified. A member shall be

eligible for reappointment. No more than four members of the Authority may be of the same political party. All members of the Authority serve without compensation but may be reimbursed for their actual expenses necessarily incurred in the discharge of their official duties.

The Act provides that the Commissioner shall serve as Chairperson of the Authority and that the members of the Authority annually shall elect one of their members as Vice Chairperson. The members of the Authority also elect a secretary and a treasurer who need not be members of the Authority, and the same person may be elected to serve as both secretary and treasurer.

The present members of the Authority are:

James S. Simpson: *ex-officio*, Chairperson; Commissioner of the New Jersey, Department of Transportation.

Andrew P. Sidamon-Eristoff: *ex-officio*; Treasurer of the State of New Jersey.

Greg Lalevee, Vice Chairman, Statutory Representative of Interest of Trade Unions; Public Member

Robert A. Briant, Jr.: Chief Executive Officer of the Utility and Transportation Contractors Association; Public Member.

Nelson Ferreira: President & Chief Executive Officer of Ferreira Construction Company, Inc., Statutory Representative of a Transportation Firm; Public Member.

Joseph Ripa: Camden County Clerk, Camden, New Jersey; Retired, President, ATU880, Public Member.

There is currently one vacancy among the Public Members of the Authority.

The officers of the Authority are:

Gary Brune: Executive Director; Chief Financial Officer; New Jersey Department of Transportation.

Steven Petrecca: Treasurer; Assistant State Treasurer; New Jersey Department of the Treasury.

Samuel Braun, Tax Compliance Officer and Comptroller; Division of Accounting and Auditing; New Jersey Department of Transportation

Linda Davino: Secretary; New Jersey Department of Transportation.

Powers of the Authority

Under the terms of the Act, the powers of the Authority are vested in the members thereof in office and four members of the Authority shall constitute a quorum at any meeting thereof. No vacancy in the membership of the Authority shall impair the right of a quorum of the members to exercise all the powers and perform all the duties of the Authority. Action may be taken and motions adopted by the Authority at any meeting thereof by the affirmative vote of at least four members of the Authority. No action taken by the Authority at any meeting shall have force or effect until fifteen days after a true copy of the minutes of such meeting has been delivered by and under the certification of the secretary of the Authority to the Governor of the State, unless during such fifteen day period the Governor (i) vetoes such

action, in which case such action shall not become effective, or (ii) approves in writing the same or any part thereof, in which case the action becomes effective upon such approval.

In addition to the power to enter into the contracts with the State described under the heading "SECURITY FOR THE 2013 SERIES AA BONDS — Property Pledged to the 2013 Series AA Bonds; the State Contract; the Act; the Resolution" herein, the Authority has (among others) the following powers:

i. to borrow money and issue its bonds, notes and other obligations and to secure the same by its revenues and other funds and to otherwise provide for and secure the payment thereof, and to provide for the refunding thereof;

ii. to issue subordinated indebtedness and to enter into revolving credit agreements, lines of credit, letters of credit, reimbursement agreements, interest rate exchange agreements, insurance contracts, surety bonds, bond purchase agreements and other security agreements;

iii. subject to any agreements with holders of its bonds, notes or other obligations, to invest any moneys not required for immediate use, including proceeds from the sale of bonds, notes or other obligations, at the discretion of the Authority, in such obligations, securities and other investments as the Authority shall deem prudent;

iv. in its own name, or in the name of the State or, in the name of New Jersey Transit Corporation ("NJ Transit"), to apply for and receive and accept appropriations or grants of property, money, services or reimbursements for money previously spent and other assistance made available to it by or from any person, government agency, public authority or any public or private entity whatever for any lawful corporate purpose of the Authority;

v. subject to any agreement with holders of its bonds, notes or other obligations, to purchase bonds, notes or other obligations of the Authority out of any funds or moneys of the Authority available therefor, and to hold, cancel or resell the bonds, notes or other obligations; and

vi. to acquire, lease as lessee or lessor, hold and dispose of real and personal property or any interest therein in the exercise of its powers and the performance of its duties under the Act.

No resolution or other action of the Authority providing for the issuance of the bonds, refunding bonds or other obligations shall be adopted by the Authority, or otherwise made effective, without prior written approval of the Governor and the State Treasurer. Any decision by the Authority to issue refunding bonds must be approved by JBOC.

THE TRANSPORTATION SYSTEM IMPROVEMENTS

The transportation system (which includes but is not limited to highways, roads, bridges, public transit facilities, pedestrian and bicycle trails, railroad rights-of-way, airports and intermodal facilities) of the State is among the most heavily used in the United States. The Department is implementing transportation system improvements which are expected to enable the State to construct, modernize, reconstruct, rehabilitate and maintain a safe, balanced, sound and efficient transportation system necessary for the well being of the State's citizens. The State's commitment to the payment for and the financing of the transportation system improvements in a stable fashion is intended to ensure a predictable and continuing public investment in the State's transportation system.

Pursuant to the Act, the transportation system improvements encompass the planning, acquisition, engineering, construction, reconstruction, repair, capital maintenance assistance, maintenance, operations, resurfacing and rehabilitation and improvement of, and acquisition of easements and rights-of-way with respect to, the transportation system, and any equipment, facility or property useful and related to the provision of any ground, waterborne or air transportation for the movement of people and goods. The transportation system improvements also include State aid to counties and municipalities for local transportation system improvements.

Improvements undertaken by the Department are to be funded primarily by a combination of Federal moneys, State general obligation bond proceeds and Authority funds. Pursuant to legislative directive, the Authority is responsible for funding that portion of the State's share of these improvements which are not provided by other sources. Pursuant to the Act, the Authority is required to minimize debt incurrence by first relying on appropriations and other revenues available to the Authority before incurring debt to meet its statutory purposes.

THE NEW JERSEY DEPARTMENT OF TRANSPORTATION

The State Transportation System

New Jersey's transportation system consists of 13,059 lane miles of state highways maintained by the Department and approximately 35,600 center line miles maintained by independent state toll road authorities, county governments, and municipal governments. Approximately 6,900 bridges are located throughout the State, of which 2,388 are owned by the Department, 761 are owned by NJ Transit, 1,008 are owned by the Turnpike Authority, and the remainder are owned by other private and public entities.

The State transportation system also consists of commuter rail, light rail, and bus lines in the State, which are principally operated by NJ Transit. NJ Transit is the nation's third largest provider and the only statewide provider of bus and commuter rail service connecting points in New Jersey, New York and Philadelphia. NJ Transit provides the region with over 263 million passenger trips annually. NJ Transit operates approximately 700 daily revenue trains on 11 rail lines over 1,000 route miles of track serving 163 stations, and over 2,200 buses over 261 routes. NJ Transit also operates three light rail lines: the 5.3 mile Newark City Subway, the Hudson Bergen Light Rail providing service from 21st Street in Bayonne to Lincoln Harbor in Weehawken with an extension to West Side Avenue in Jersey City, and the 34 mile River LINE connecting Trenton and Camden.

NJ Transit provides connections to other transit systems. At New York's Penn Station, connections are available to Amtrak, the Long Island Railroad and the New York City subway. At Trenton, riders can transfer to Southeastern Pennsylvania Transportation Authority ("SEPTA") and Amtrak trains. Hoboken Terminal and Newark Penn Station are transfer points to the Port Authority Trans-Hudson ("PATH") trains to Jersey City and New York City. At Lindenwold in Camden County,

the Atlantic City Rail Line operated by NJ Transit connects with New Jersey-Pennsylvania Port Authority Transportation Company ("PATCO") rapid transit services to Camden and Philadelphia and with Amtrak trains.

Organization

The State has an integrated approach to all transportation problems. The Department's responsibilities have steadily changed since its establishment in 1966, with emphasis shifting from primarily highway-related programs to a balanced concern for highways and the preservation and improvement of rail and bus transportation. The Department is responsible for the maintenance and improvement of all State highways and bridges, the provision of assistance to counties and municipalities and the overall planning and coordination of the State's transportation system. The Department also reviews the operations of NJ Transit. Although NJ Transit is self-regulating as to fares and levels of service which it operates or supports, with the exception of interstate bus service, the Department retains certain regulatory control over safety and maintenance. The Department's mission is to provide for the movement of people and goods with a commitment to safety, excellence, efficiency, the environment and its customers-the citizens of New Jersey.

The Department is headed by a Commissioner appointed by and directly responsible to the Governor for fulfilling the purposes and supervising the activities of the Department. The Commissioner is responsible for all policies and directives of the Department and serves as Chairperson of the Authority and of NJ Transit. A Deputy Commissioner, a Chief of Staff, and seven Assistant Commissioners assist the Commissioner in managing the Department.

The Deputy Commissioner is responsible for the day-to-day operations of the Department, enabling the Commissioner to better balance his or her time in his or her roles as Chief Executive Officer of the Department, Chairperson of the Authority and of NJ Transit, and an ex-officio member of each of the State transportation authorities.

The Chief Financial Officer, who is an Assistant Commissioner, provides general oversight of the Department's financial affairs, ensures that financial transactions are in compliance with State and Federal regulations, and implements sound financial management principles. The Chief Financial Officer oversees the preparation of the Department's annual budget and the development of the budget implementation and initiative action plans. In addition, the Chief Financial Officer acts as Executive Director of the Authority.

The Assistant Commissioner for Administration supervises the operation and maintenance of the Department's physical plant facilities, human resource management, employee safety, information systems, training and development, civil rights and affirmative action programs.

The Assistant Commissioner for Government and Community Relations is responsible for legislative relations and customer advocacy.

The Assistant Commissioner for Capital Investment, Planning and Grant Administration assesses current and future conditions, demands and opportunities to improve transportation facilities and services. Transportation facility planning spans all modes of transportation including the State's public use airports, rail freight infrastructure, and the maritime industry. The Assistant Commissioner also administers State and Federal aid programs related to municipal and county governments and operates a research and technology effort that investigates and demonstrates new transportation technologies. In addition, the Assistant Commissioner develops a Statewide Transportation Capital Investment Strategy, the Annual Capital Program, the Statewide Transportation Improvement Program ("STIP"), and the Study

and Development Program. Part of this responsibility involves the development and implementation of an asset management program to optimize investment in the State's existing transportation infrastructure. To effectively prepare and deliver capital projects, the Assistant Commissioner is involved with the various stages of work from preliminary engineering to final construction.

The Assistant Commissioner for Operations is responsible for maintenance and operation of the State highway system. This Assistant Commissioner oversees maintenance of the roadways, bridges, rights-of-way, signs, drawbridges, traffic signals, and highway lighting and is responsible for maintaining the equipment fleet and regional maintenance yards. This Assistant Commissioner is also responsible for safe operation of the State highway system, including snow and ice removal, traffic engineering, operation of the traffic operations centers, emergency patrols, and intelligent transportation systems.

The Assistant Commissioner for Statewide Traffic Operations is responsible for coordinating the operation of traffic operations centers and incident management services provided by the Department and the State's independent toll road authorities. The purpose of this office is to ensure that the daily management of traffic congestion and traffic incidents in the State is coordinated on a statewide level.

NJ Transit maintains its own financial management and accounting systems, in accordance with its statutory powers and in conformity with general State practices and Federal requirements. As a general practice, NJ Transit draws funds appropriated by the State on a periodic basis and administers its own investments and disbursements. NJ Transit's finances are audited annually by an independent auditor and are reported to the State Legislature.

LITIGATION

There is no litigation of any nature now pending, or, to the knowledge of the Authority, threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2013 Series AA Bonds, or the contemplated uses of the proceeds of the 2013 Series AA Bonds, or in any way contesting or affecting the validity of the 2013 Series AA Bonds, the State Contract, the Act or any proceedings of the Authority or the State taken with respect to the issuance, sale, execution or delivery thereof, or the pledge or application of any moneys or security provided for the payment of the 2013 Series AA Bonds or the existence or powers of the Authority or the State Contract or the title of any officers or members of the Authority to their respective positions.

CERTAIN LEGAL MATTERS

Legal matters related to the authorization, execution, issuance and delivery of the 2013 Series AA Bonds are subject to the approval of Wolff & Samson PC, West Orange, New Jersey, Bond Counsel. The opinion of Bond Counsel will be delivered with the 2013 Series AA Bonds in substantially the form included in this Official Statement as Appendix V. Certain legal matters in connection with the 2013 Series AA Bonds will be passed upon for the Authority by the Attorney General of the State, and for the Underwriters by their counsel, DeCotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey.

LEGALITY FOR INVESTMENT

The Act provides that the State and all public officers, governmental units and agencies thereof, all banks, trust companies, savings banks and institutions, building and loan associations, 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, and all executors, administrators, guardians, trustees and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds or notes issued pursuant to the Act, and the bonds or notes shall be authorized security for any and all public deposits.

TAX MATTERS

Federal Tax Exemption

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 2013 Series AA Bonds in order to assure that interest on the 2013 Series AA Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Such requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investment of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments be rebated to the federal government. The Authority has covenanted to and will, to the extent permitted by law, comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the 2013 Series AA Bonds under the Code. Failure of the Authority to comply with certain requirements of the Code could cause interest on the 2013 Series AA Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2013 Series AA Bonds. In the opinion of Wolff & Samson PC, Bond Counsel, to be delivered at the time of original issuance of the 2013 Series AA Bonds, assuming continuing compliance by the Authority with the Code, pursuant to the applicable provisions of the Code and related rulings, regulations and judicial decisions, interest on the 2013 Series AA Bonds is not included in gross income for purposes of federal income taxation under Section 103 of the Code and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed by the Code on individuals and corporations. However, under the Code, interest on the 2013 Series AA Bonds held by certain corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the 2013 Series AA Bonds in "adjusted current earnings."

[Bond Counsel is further of the opinion that the difference between the principal amount of the 2013 Series AA Bonds maturing on _____ (the "Discount Bonds") and their initial offering prices to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond, and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.]

[Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the owner's basis in such bond to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code.]

Additional Federal Income Tax Consequences

Prospective purchasers of the 2013 Series AA Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax exempt obligations, such as the 2013 Series AA Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations. Prospective purchasers of the 2013 Series AA Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the 2013 Series AA Bonds from gross income pursuant to Section 103 of the Code and the exclusion of interest on the 2013 Series AA Bonds in the determination of the alternative minimum tax. Prospective purchasers of the 2013 Series AA Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the 2013 Series AA Bonds.

State Tax Exemption

In the opinion of Bond Counsel, under existing laws of the State of New Jersey, interest on the 2013 Series AA Bonds and any gain on the sale thereof are not includible in gross income under the New Jersey Gross Income Tax Act.

Future Events

There can be no assurance that legislation will not be introduced or enacted after the issuance and delivery of the 2013 Series AA Bonds so as to affect adversely the exclusion from gross income for federal income tax purposes of interest on the 2013 Series AA Bonds. Federal, state or local legislation or legislative proposals, executive proposals or pronouncements, administrative or regulatory actions or initiatives, litigation or threatened litigation, and/or court decisions may affect the tax-exempt status of interest on the 2013 Series AA Bonds and/or gain from the sale or other disposition of the 2013 Series AA Bonds, the market value of the 2013 Series AA Bonds, or the marketability of the 2013 Series AA Bonds, or otherwise prevent holders of the 2013 Series AA Bonds from realizing the full benefit of the tax exemption of interest on the 2013 Series AA Bonds. Prospective purchasers of the 2013 Series AA Bonds should consult their own tax advisers regarding any and all such matters. Bond Counsel is rendering its opinion under existing laws and regulations as interpreted by relevant judicial and regulatory authorities as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise.

EACH POTENTIAL PURCHASER OF THE 2013 SERIES AA BONDS SHOULD CONSULT HIS OR HER OWN TAX ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS. EACH POTENTIAL PURCHASER OF THE 2013 SERIES AA BONDS SHOULD CONSULT WITH HIS OR HER TAX ADVISOR IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

See APPENDIX V to this Official Statement for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the 2013 Series AA Bonds.

UNDERWRITING

The 2013 Series AA Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), as representative of the underwriters listed on the cover page hereof (the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase all of the 2013 Series AA Bonds at an aggregate purchase price of _____, which is equal to the aggregate principal amount of 2013 Series AA Bonds, [plus net original issue premium] [less net original issue discount] in the amount of $_____, and less an Underwriters' discount in the amount of $_____. The initial public offering prices of the 2013 Series AA Bonds set forth on the inside cover page of this Official Statement may be changed without notice by the Underwriters. The Underwriters may offer and sell the 2013 Series AA Bonds to certain dealers (including dealers depositing 2013 Series AA Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices or yields lower than the offering prices or yields set forth on the inside cover page hereof.

As part of its proposal to serve as senior managing underwriter for the 2013 Series AA Bonds, Merrill Lynch has proposed, subject to certain conditions, to purchase the 2013 Series AA Bonds at guaranteed maximum yields in the event of a severe market disruption or extreme lack of liquidity in the municipal market at the time of the offering. Such guaranteed maximum yields are subject to several adjustments based on market conditions at the time of the offering and are not intended to replace the orderly market pricing of such 2013 Series AA Bonds at market yields.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2013 Series AA Bonds, has provided the following two sentences for inclusion in this Official Statement: JPMS has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase 2013 Series AA Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2013 Series AA Bonds that such firm sells.

The Authority has not been furnished with a copy of either Dealer Agreement and makes no representations of any kind with respect thereto. The Authority is not a party to either Dealer Agreement and has not entered into any agreement or arrangement with UBSFS or CS&Co. with respect to the offering and sale of the 2013 Series AA Bonds.

Morgan Stanley & Co. LLC, one of the underwriters of the 2013 Series AA Bonds, has provided the following two sentences for inclusion in this Official Statement: Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of its affiliate, Morgan Stanley Smith Barney LLC. As part of this arrangement (the "Distribution Arrangement"), Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2013 Series AA Bonds.

The Authority has not been furnished with any documents relating to the Distribution Arrangement and makes no representations of any kind with respect thereto. The Authority is not a party to the Distribution Arrangement and has not entered into any agreement or arrangement with Morgan Stanley Smith Barney LLC with respect to the offering of the 2013 Series AA Bonds.

RATINGS

Fitch, Inc. ("Fitch"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service, Inc. ("Moody's") have assigned municipal bond ratings of "__," "__," and "__") respectively, to the 2013 Series AA Bonds.

Such ratings reflect only the views of each organization, and an explanation of the significance of such ratings can only be obtained from Fitch, Moody's and S&P at the following addresses: Fitch, Inc., One State Street Plaza, New York, New York, 10004, Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that these ratings will remain in effect 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 these rating agencies, circumstances so warrant. Any such downgrade revision or withdrawal of such ratings may have an adverse effect on the market price of the 2013 Series AA Bonds. The Underwriters have not agreed to take any action with respect to any proposed rating changes or to bring such rating changes, if any, to the attention of the owners of the 2013 Series AA Bonds.

CONTINUING DISCLOSURE AGREEMENT

Upon the issuance and delivery of the 2013 Series AA 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 2013 Series AA Bonds, to comply with the secondary market disclosure requirements of the United States Securities and Exchange Commission's Rule 15c2-12. Pursuant to the Continuing Disclosure Agreement, the State Treasurer will covenant to provide certain financial information and operating data relating to the State, to the Municipal Securities Rulemaking Board ("MSRB"). Further, the Authority will covenant to provide notices of the occurrence of certain enumerated events. The Trustee shall file such information on behalf of the Treasurer and such notices on behalf of the Authority with the MSRB. The Trustee may meet the continuing disclosure filing requirements described above by providing such information to the MSRB or by complying with any other procedure that may be authorized by the United States Securities and Exchange Commission. The form of the Continuing Disclosure Agreement is set forth in APPENDIX IV hereto.

For the Fiscal Year ended June 30, 2007, the Treasurer of the State failed to provide the State's annual report containing its financial and operating data as required by the State's various 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, 2008. The annual report was filed on March 25, 2008.

For the Fiscal Year ended June 30, 2008, the State Treasurer failed to provide the State's annual report containing its financial and operating data as required by the State's various 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 report for the Fiscal Year ended June 30, 2009, due March 15, 2010, was filed on March 15, 2010. The annual report for the Fiscal Year ended June 30, 2010, due March 15, 2011, was filed on February 1, 2011. The annual report for the Fiscal Year ended June 30, 2011, due March 15, 2012, was filed on February 10, 2012. The annual report for the Fiscal Year ended June 30, 2012, due March 15, 2013, was filed on February 12, 2013.

In addition, the continuing disclosure agreements relating to the Authority's Outstanding Transportation System Bonds, 1999 Series A, 2001 Series A, 2001 Series C, 2003 Series C, 2004 Series A, 2004 Series B and 2005 Series A provide that the Authority will provide an Authority's annual report, consisting of the Authority's audited financial statements for each Authority Fiscal Year ending June 30 (the "Authority's Annual Report"). The Authority's Annual Report is required to be filed by the March 15 next following the end of each Fiscal Year. The Authority's Annual Report for its Fiscal Year ending June 30, 2007, was filed on March 18, 2008. The Authority's Annual Report for its Fiscal Year ending June 30, 2008, was filed on March 20, 2009. The Authority's Annual Report for its Fiscal Year ending June 30, 2009, was filed on July 26, 2010. The continuing disclosure agreements for all issues subsequent to the Authority's Transportation System Bonds, 2005 Series A do not require, and the Continuing Disclosure Agreement for the 2013 Series AA Bonds will not require, that the Authority provide the Authority's Annual Report.

MISCELLANEOUS

Copies of the Resolution may be obtained upon request from the Office of Public Finance, New Jersey Department of the Treasury, P.O. Box 005, Trenton, New Jersey 08625.

This Official Statement is distributed in connection with the sale and issuance of the 2013 Series AA 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 2013 Series AA Bonds.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

By: _____
Gary Brune, Executive Director

Dated: August __, 2013

APPENDIX I

FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

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APPENDIX I

DATED AUGUST 13, 2013

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 March 27, 2013 and supplements thereto. The principal changes reflected in this Appendix I are the updates of information to reflect the enactment of the Fiscal Year 2014 Appropriations Act and certain financial and other activity which occurred during Fiscal Year 2013. The State intends to further update or supplement the information contained in this Appendix I upon 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. 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, 2012, including Management's Discussion and Analysis (the "2012 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 2012 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 estimated to be 8,864,590 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. There has been a significant shift from the northeastern industrial areas toward the coastal counties of Atlantic, Ocean and Monmouth, and toward the central New Jersey counties of Hunterdon, Somerset and Middlesex.

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

SELECTED INFORMATION RELATING TO NEW JERSEY'S ECONOMIC CONDITION

New Jersey's level of payroll employment as of June 2013 was 3.970 million, which was 1.9% (+74,800) higher than the level of payroll employment as of June 2012. New Jersey's percentage increase in payroll employment growth during this period was 0.2 percentage points higher than the national rate of increase, ranked

eleventh in the nation, and was higher than all but one other state east of the Mississippi River. During the twelve month period ending in June 2013, jobs were created in education and health (+24,100), professional and business services (+14,800), trade, transportation and utilities (+10,000), the public sector (+10,000), construction (+6,700), leisure and hospitality services (+6,700), financial activities (+3,300) and manufacturing (+200), while jobs were lost in information services (-3,600). The employment gains in the first half of 2013 were stronger than those seen during 2012. According to information released by the New Jersey Department of Labor and Workforce Development on March 18, 2013, payroll employment in 2012 averaged 1.3% higher than in 2011, which was the largest percentage gain since 2000. The 2012 increase in payroll employment in the State was 0.3 of a percentage point less than the national increase in payroll employment. The State's increase ranked thirty-first among the fifty states, and third for the eleven states (the Northeast States plus Maryland and Delaware) lying north of the Potomac River.

The State's unemployment rate declined from 9.6% in June 2012 to 8.7% in June 2013. New Jersey's unemployment rate had risen relative to the national rate over the course of 2011 through the late summer of 2012, as New Jersey's labor force participation rate rose while the national labor force participation rate fell, resulting in labor force growth in New Jersey that was unusually rapid relative to the growth of the State's working age population. Growth in New Jersey's labor force has moderated since the summer of 2012 and that slower growth, coupled with ongoing increases in jobs and employment, has resulted in a decline in the unemployment rate.

According to the United States Commerce Department, Bureau of Economic Analysis, in a report dated June 7, 2013, New Jersey's gross state product rose 1.3% from 2011 to 2012, adjusted for inflation. This increase ranked thirty-sixth among the states, and trailed the national gain of 2.5%. However, New Jersey's growth was comparable to aggregate gains for New England (1.2%) and the Mideast (1.5%) regions. Calendar Year 2012 was the third consecutive year to see an increase in New Jersey's inflation-adjusted gross state product. The initial estimate for 2011, reported in 2012 by the Bureau of Economic Analysis, of a 0.5% decline, was revised to indicate a 0.2% increase in gross state product. Prior to the inflation adjustment, New Jersey's gross state product in 2012 totaled $508.0 billion, ranking eighth among the fifty states.

According to the United States Commerce Department, Bureau of Economic Analysis, in a release dated June 28, 2013, personal income of New Jersey residents rose 1.2% over the twelve month period ending in the first quarter of 2013. This increase in personal income was smaller than the 2.8% increase reported for the nation as a whole over the same period. Personal income earned by New Jersey residents in the first quarter of 2013 was lower than the fourth quarter of 2012 because large payments of dividends and bonus payments to finance industry workers that would normally be paid in the first quarter of 2013 were disbursed in the fourth quarter of 2012. According to the June 2013 New Jersey economic forecasts from IHS Global Insight and Moody's Economy.com, growth in personal income for New Jersey residents is expected to continue through the balance of 2013 and through 2014 at rates higher than those seen in 2012.

New Jersey's housing sector is recovering. Nearly 18,000 building permits were granted in 2012. While this is a low number by historic standards, it represented an increase of approximately 39% from 2011. Permits granted in the first six months of 2013 were 32.2% higher than in the same period of 2012. The New Jersey Association of Realtors reports that home resales in the State in 2012 were 11.7% higher than in 2011, and that the number of resales in the first quarter of 2013 was 11.0% higher than in the first quarter of 2012. 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. However, the significant number of housing properties still in the judicial foreclosure process may temper the recovery in the housing sector.

The auto sector continues to improve. The first six months of 2013 saw more new motor vehicles sold than in the first half of any year since 2007, and sales were 5.3% higher than in the same period of 2012.

Super Storm Sandy made landfall in New Jersey on October 29, 2012, resulting in widespread power outages and a temporary cessation in normal business activity throughout much of the State. The United States Commerce Department, Bureau of Economic Analysis, reported that Super Storm Sandy is estimated to have

resulted in $44.9 billion in damage to public and private property in the affected areas of the nation; other reports suggest that the overwhelming majority of this damage was in New York and New Jersey. This estimate does not include damage to personal possessions, any incremental cost of rebuilding, immediate losses to businesses from interruptions to activity, or costs incurred in the course of cleanup and restoration of activity. The United States Commerce Department, Bureau of Economic Analysis, in its March 27, 2013 personal income release, also estimates that interruptions to activity caused by Super Storm Sandy depressed wages paid in New Jersey in the fourth quarter of 2012 by 0.7%, or approximately $400 million (aggregate wages paid in the State for all of 2012 amounted to $227.1 billion). It is anticipated that rebuilding activity will largely offset any longer term negative economic impacts on the State as a whole. It is clear, however, that Super Storm Sandy will have a significant long-term effect on individual regions and industries in the State, most notably those along the Jersey Shore.

Economic conditions in New Jersey and the nation have continued to improve from the low levels reached in the 2008-2009 recession. 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. Household debt balances have declined. More recently, the housing market has started to improve. 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, ongoing problems in European economies have led to a renewed recession in continental Europe and have created 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, and hikes in federal taxes, along with continuing conflict over federal tax and spending policy have not only drained some spending power but have also likely elevated household and business uncertainty, further inhibiting economic expansion. Finally, tensions with Iran have the potential to boost energy prices and dampen household spending power.

The June 2013 projections of the Federal Reserve System's Federal Open Market Committee members and participants anticipate national economic growth over the course of 2013 and 2014 to gradually improve relative to the rates of growth seen in 2012. New Jersey's economy is expected to expand in 2013 and 2014 at a rate approximately in line with national trends, with employment levels projected to continue to rise, and unemployment to move down gradually, though the unemployment rate is anticipated to remain above the national average, in reflection of the recent strong rebound in the size of the State's workforce. 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. Recent statements of the Federal Open Market Committee noting that most members and participants will not start to contemplate increases in interest rates until the national unemployment rate falls under 6.5%, unless inflation rates are substantially higher than currently anticipated, reinforce the Federal Reserve's commitment to supporting national economic growth. More recently, Federal Reserve Board Governors and Reserve Bank Presidents have reiterated that the start of any tightening of monetary policy will depend upon the health of the economy, not upon any preset schedule.

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.

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 System" herein; for the application of the budget process for Fiscal Year 2014, 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

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.

New Jersey's Accounting System

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, 2012," and the notes referred to therein (the "2012 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 2012 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 2012 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. The statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets presents all of the State's assets and liabilities and calculates net assets. Increases or decreases in the State's net assets over time may serve as a useful indicator as to whether or not the State's overall financial position is improving or deteriorating. The Statement of Activities presents how the State's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event occurs giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each State function.

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. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Most Direct State Services, which support the normal operations of State government, are financed through governmental funds. 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, the Property Tax Relief Fund, the Special Revenue Funds, and the Capital Projects Funds. 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.

The General Fund is the fund into which all State revenues, not otherwise restricted by statute, are deposited and from which appropriations are made. The largest part of the total financial operations of the State is accounted for in the General Fund. Revenues received from taxes and unrestricted by statute, most federal revenue and certain miscellaneous revenue items are recorded in the General Fund. 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.

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 both of which are constitutionally dedicated toward property tax relief and reform, respectively. All receipts from taxes levied 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.

A special account designated as the "Property Tax Reform Account" was created in the Property Tax Relief Fund pursuant to an amendment to Article VIII, Section 1, para. 7 of the State Constitution approved by the voters on November 7, 2006. The amendment provides that there shall be annually credited from the General Fund and placed in the Property Tax Reform Account an amount equal to the annual revenue derived from a tax rate of 0.5% imposed under the "Sales and Use Tax Act," L. 1966, c. 30 (C.54:32B-1 et seq.), as amended and supplemented, or any other subsequent law of similar effect. The State Constitution provides that the State Legislature shall annually appropriate such amount exclusively for the purpose of property tax reform.

Special Revenue Funds are used to account for resources legally restricted to expenditure for specified purposes. Special Revenue Funds include the Casino Control Fund, the Casino Revenue Fund and the Gubernatorial Elections Fund. Certain financial information with respect to these funds is included herein.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major State capital facilities.

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 twelve State colleges and universities including their foundations and associations.

New Jersey's Budget and Appropriation System

The State operates on a fiscal year beginning July 1 and ending June 30. For example, "Fiscal Year 2014" refers to the State's fiscal year beginning July 1, 2013 and ending June 30, 2014.

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. 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.

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. 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. The funding plans and strategies are the foundations for revenue and spending decisions that are ultimately incorporated into the Governor's Budget Message, as discussed below.

The New Jersey Statutes contain provisions concerning the budget and appropriation system. 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. The Budget Director may hold hearings, open to the public, during the months of October, November and December and review the budget requests with the agency heads. 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. It is then the responsibility of the Governor to examine and consider all requests and formulate his or her budget recommendations.

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 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). 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. 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. In addition to anticipated revenues, the annual 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-32.

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. 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.

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 the one case where this occurred, for Fiscal Year 2007, the Governor declared a state of emergency and mandated the orderly shutdown of State government, other than services and functions of State government directly related to the preservation and protection of human life and safety, the protection of property, the adoption of the annual Appropriations Act and such functions of the Judicial Branch as determined by the Chief Justice of the New Jersey Supreme Court. The State Treasurer and the Budget Director were authorized to obligate funds for such essential services. The Division of Lottery ceased selling tickets, parks and beaches were closed, and casinos, which by law could not operate without State regulators, were shutdown. An amendment to Section 63 of L. 1977, c. 110 (N.J.S.A. 5:12-63) was enacted on June 27, 2008, and provides for the ability of casinos and racetracks to operate for seven calendar days during a state of emergency, including a shutdown of State government for failure to enact the Appropriations Act, despite the absence of State regulators. If a shutdown occurs, 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 "STATE FINANCES — New Jersey's Budget and Appropriation System" and "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION" herein.

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 2012 CAFR, including the opinion of the State Auditor, has been separately filed with the MSRB and 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, 2010 through 2014, 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 2010 through 2012 are actual and final. Amounts shown for Fiscal Year 2013 in the following tables and charts are based upon revised estimates for revenues and lapses and include supplemental appropriations and de-appropriations as of June 30, 2013 (which are subject to adjustment pending completion of the annual audit). Amounts shown for Fiscal Year 2014 are estimates as contained in the Fiscal Year 2014 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 annual 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 and "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS" herein.

SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS[1]
($ Millions)

	2014 Estimated	2013 Estimated	2012 Actual	2011 Actual	2010 Actual
July 1st Beginning Balances					
General Fund	$ 465.1	$ 441.4	$ 864.1	$ 794.2	$ 614.2
Property Tax Relief Fund	—	2.4	5.8	10.0	—
Gubernatorial Elections Fund	—	1.0	0.5	—	—
Casino Control Fund	1.6	1.8	2.8	—	(0.4)
Casino Revenue Fund	—	—	—	—	—
Total Beginning Balances	466.7	446.6	873.2	804.2	613.8
Anticipated Revenue					
General Fund	18,654.9	18,079.9	17,043.6	17,098.4	16,601.5
Property Tax Relief Fund(2)	13,720.0	12,841.7	11,751.7	11,233.7	10,917.8
Gubernatorial Elections Fund	0.7	0.7	0.5	0.5	0.4
Casino Control Fund	53.8	55.1	51.4	60.8	64.1
Casino Revenue Fund	383.6	217.6	239.3	266.2	296.1
Total Revenues	32,813.0	31,195.0	29,086.5	28,659.6	27,879.9
Total Resources	33,279.7	31,641.6	29,959.7	29,463.8	28,493.7
Other Adjustments					
General Fund					
Balances lapsed(3)	—	117.3	626.6	708.3	1,040.4
From (To) reserved fund balance	—	—	18.2		—
From (To) Property Tax Relief Fund	—	1,078.3	(266.8)	(336.5)	(285.3)
Budget vs GAAP Adjustment	—	—	78.1	(9.6)	53.2
From (To) Casino Revenue Fund	—	(17.4)	(5.0)	(3.4)	(38.3)
From (To) Gubernatorial Elections Fund	(9.3)	(4.5)	—	—	(9.0)
Corporation Business Tax - 4% Dedication	—	—	—	4.8	(3.2)
Property Tax Relief Fund					
Balances lapsed(3)	—	397.3	89.3	143.9	63.5
From (To) General Fund	—	(1,078.3)	266.8	336.5	285.3
Budget vs GAAP Adjustment	—	—	—	0.2	(8.2)
Gubernatorial Elections Fund					
From (To) General Fund	9.3	4.5	—	—	9.0
Budget vs GAAP Adjustment	—	—	—	—	(0.6)
Casino Control Fund					
Balances lapsed(3)	—	—	3.5	6.8	8.8
Budget vs GAAP Adjustment	—	—	—	1.9	(1.9)
Casino Revenue Fund					
From (To) General Fund	—	17.4	5.0	3.4	38.3
Balances lapsed(3)	—	0.4	3.8	0.2	1.0
Budget vs GAAP Adjustment	—	—	—	0.1	—
Total Other Adjustments	—	515.0	819.5	856.6	1,153.0
Total Available	33,279.7	32,156.6	30,779.2	30,320.4	29,646.7
Appropriations					
General Fund	18,808.0	19,229.9	17,917.4	17,392.1	17,179.3
Property Tax Relief Fund	13,720.0	12,163.1	12,111.2	11,718.5	11,248.4
Gubernatorial Elections Fund	10.0	6.2	—	—	8.8
Casino Control Fund	55.3	55.3	55.9	66.7	70.6
Casino Revenue Fund	383.6	235.4	248.1	269.9	335.4
Total Appropriations	32,976.9	31,689.9	30,332.6	29,447.2	28,842.5
June 30th Ending Balances					
General Fund	302.7	465.1	441.4	864.1	794.2
Property Tax Relief Fund	—	—	2.4	5.8	10.0
Gubernatorial Elections Fund	—	—	1.0	0.5	—
Casino Control Fund	0.1	1.6	1.8	2.8	—
Casino Revenue Fund	—	—	—	—	—
Total Ending Balances(4)	$ 302.8	$ 466.7	$ 446.6	$ 873.2	$ 804.2

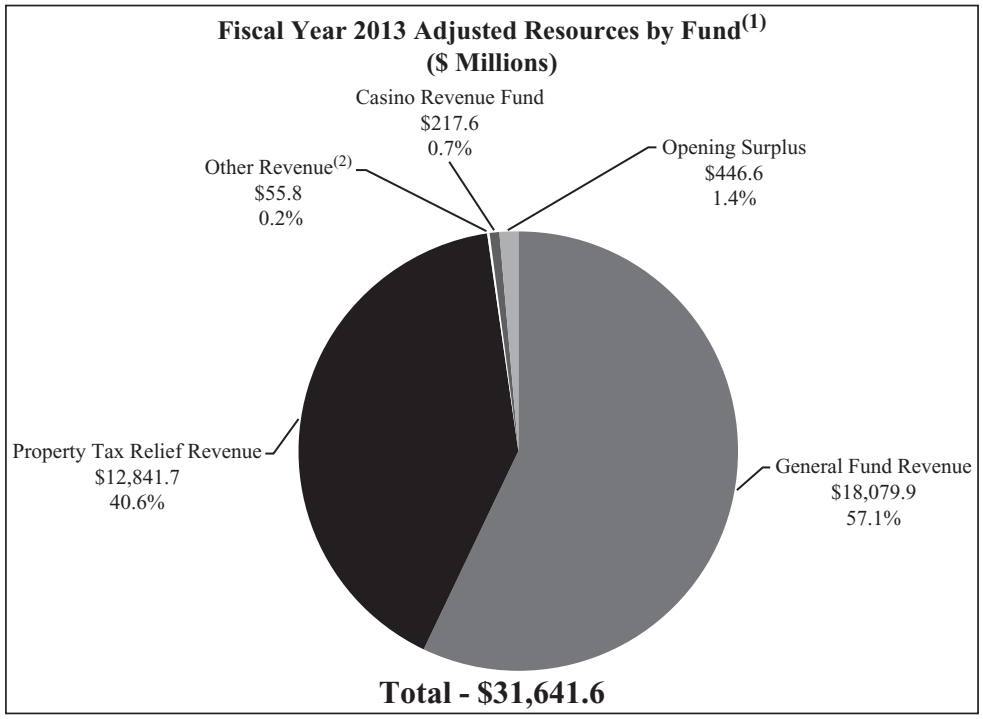
Notes:

(1) The Surplus Revenue Fund and the Long Term Obligation and Capital Expenditure Fund previously included in this table have been excluded since no amounts have been available in such funds since 2009.

(2) The "Property Tax Reform Account" was created in the Property Tax Relief Fund pursuant to an amendment to Article VIII, Section 1, Paragraph 7 of the State Constitution. Approved by the voters in 2006, the amendment provides that there shall be annually credited from the General Fund and placed in the Property Tax Reform Account an amount equal to the annual revenue derived from a tax rate of 0.5% imposed under the Sales and Use Tax Act. The State Constitution provides that the State Legislature shall annually appropriate such amount exclusively for the purpose of property tax reform.

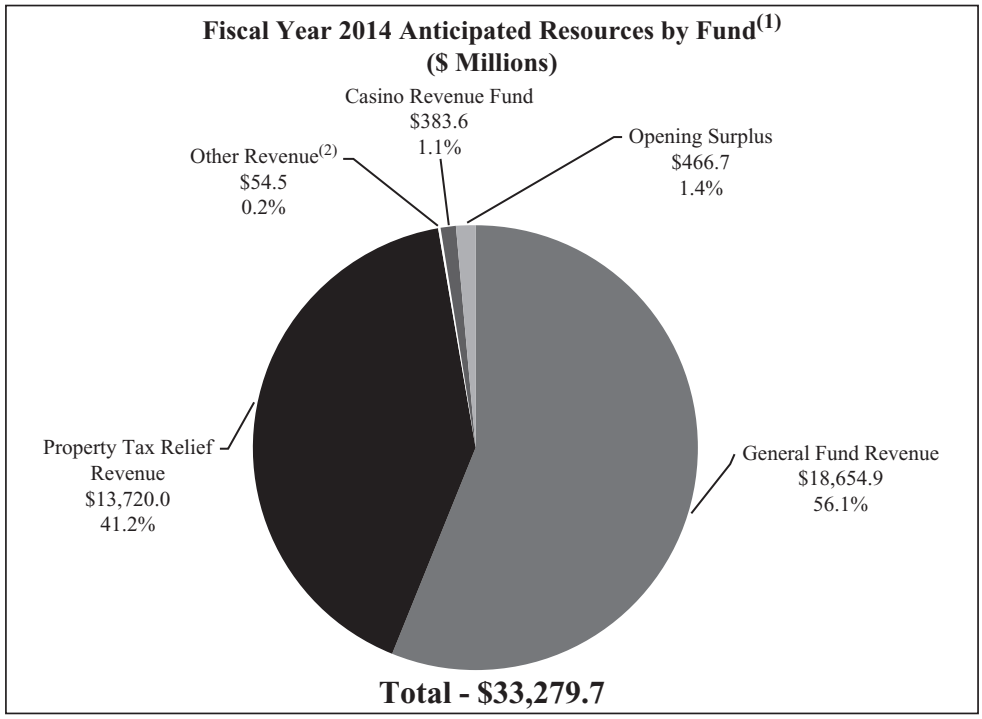
(3) Upon the end of the fiscal year, any unexpended or unencumbered balance in an appropriation reverts (lapses) to the June 30th ending balance, unless otherwise provided for in the annual Appropriations Act. Almost all of the Fiscal Year 2013 lapse relating to the Property Tax Relief Fund represents the deferral of Homestead Benefits originally scheduled to be paid during Fiscal Year 2013 to Fiscal Year 2014. See "FINANCIAL RESULTS AND ESTIMATES – Programs Funded Under Appropriations in Fiscal Year 2014 – *Grants-in-Aid*" herein.

(4) The ending undesignated fund balance for Fiscal Year 2013 and opening undesignated fund balance for Fiscal Year 2014 are subject to adjustment pending completion of the annual audit. During Fiscal Year 2014, the ending undesignated fund balance for Fiscal Year 2014 may be revised as a result of changes in spending and/or anticipated revenues. See "FINANCIAL RESULTS AND ESTIMATES – Appropriations" herein.



(1) Fiscal Year 2013 Adjusted Resources represent the total amount of revenues for Fiscal Year 2013, subject to adjustment pending completion of the annual audit, plus the total amount of undesignated budgeted fund balances as of July 1, 2012.

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



(1) Fiscal Year 2014 Anticipated Resources represent the total amount of estimated revenues for Fiscal Year 2014, as set forth in the Fiscal Year 2014 Appropriations Act, plus the total amount of estimated 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, 2010 through 2012, and estimated revenues for Fiscal Years 2013 and 2014 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 2013 estimates are as of June 30, 2013 and are subject to adjustment pending completion of the annual audit. The Fiscal Year 2014 estimates are as presented in the Fiscal Year 2014 Appropriations Act.

REVENUES
($ Millions)

	2014 Estimated	2013 Estimated	2012 Actual	2011 Actual	2010 Actual
General Fund:					
Sales and Use Tax	$ 8,680.0	$ 8,241.0	$ 7,935.8	$ 7,765.1	$ 7,523.2
Less: Property Tax Dedication	(662.0)	(630.0)	(603.8)	(598.4)	(576.6)
Net Sales and Use Tax	8,018.0	7,611.0	7,332.0	7,166.7	6,946.6
Motor Fuels Tax	547.0	540.0	539.7	524.2	535.3
Corporation Taxes	2,416.0	2,257.0	2,032.4	2,226.9	1,998.7
Motor Vehicle Fees	437.1	454.7	463.9	407.8	378.6
Cigarette Tax	237.0	263.0	288.4	227.2	204.9
Other Major Taxes	2,478.9	2,198.4	1,974.3	2,221.4	2,215.5
Medicaid Uncompensated Care	404.1	425.2	430.2	499.6	514.8
Other Miscellaneous Taxes, Fees and Revenues	2,377.4	2,403.8	2,125.8	2,133.5	2,033.4
Lottery Funds	1,020.0	1,095.0	950.1	930.0	924.0
Tobacco Litigation Settlement(1)	49.2	94.0	82.5	53.9	56.9
Other Transfers	670.2	737.8	824.3	707.2	792.8
Total General Fund(2)	18,654.9	18,079.9	17,043.6	17,098.4	16,601.5
Property Tax Relief Fund:					
Gross Income Tax	13,039.0	12,193.0	11,128.4	10,617.0	10,322.9
Plus: Property Tax Dedication	681.0	648.7	623.3	616.7	594.9
Gross Property Tax Relief Fund	13,720.0	12,841.7	11,751.7	11,233.7	10,917.8
Gubernatorial Elections Fund	0.7	0.7	0.5	0.5	0.4
Casino Control Fund	53.8	55.1	51.4	60.8	64.1
Casino Revenue Fund	383.6	217.6	239.3	266.2	296.1
Total	$32,813.0	$31,195.0	$29,086.5	$28,659.6	$27,879.9

(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") expected 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. The Corporation has pledged 76.26% of the TSRs as security for its bonds. In January 2007, the Corporation issued $3,622,208,081.50 of its Tobacco Settlement Asset-Backed Bonds, Series 2007-1, the proceeds of which were used to refund in full, the prior Series 2002 and Series 2003 Tobacco Settlement Asset-Backed Bonds. The remaining 23.74% of the TSRs (the "Unpledged TSRs") are not pledged to the bonds and are payable to the State. Fiscal Year 2010, 2011 and 2012 reflect actual payments and Fiscal Year 2013 and 2014 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 (approximately $30 million of a scheduled approximate $242 million annual payment in 2006, approximately $27 million of a scheduled approximate $261 million annual payment in 2007, approximately $22 million of a scheduled approximate $284 million annual payment in 2008, approximately $21 million of a scheduled approximate $287 million annual payment in 2009, approximately $27 million of a scheduled approximate $266 million annual payment in 2010, and approximately $35 million of a scheduled approximate $261 million annual payment in 2011, and approximately $32 million of a scheduled approximate $263 million annual payment in 2012). That withholding was 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). The dispute for 2003 has been the subject of arbitration since July 2010. Arbitration of similar disputes for every year from 2004 through 2012 has awaited the conclusion of the arbitration for 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 New Jersey did not diligently enforce its statute in 2003. However, because New Jersey 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 New Jersey would recover any of the sums withheld.

On December 14, 2012, New Jersey joined 18 other states in a settlement of the dispute for 2003 through 2012, as well as potential disputes for 2013 and 2014. The settlement included both 2013 payments to New Jersey from a Disputed Payments account and credits to the Participating Manufacturers for MSA payments due in each April, from 2013 through 2017.

The Settlement was challenged by other States before the arbitration panel. On March 12, 2013, the arbitration panel entered a Stipulated Partial Settlement and Award ("Stipulated Award") implementing the settlement. Some of the Objecting States moved to have the Stipulated Award vacated prior to the distribution of settlement funds in April 2013. However, those actions were not successful and, in April, pursuant to the settlement, New Jersey received roughly $170 million more in 2013 MSA payments than it would have otherwise received, but will receive a total of roughly $75,000,000 less from 2014 through 2017. 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 Ending Balance.

REVENUES
(% of Total)

	2014 Estimated	2013 Estimated	2012 Actual	2011 Actual	2010 Actual
General Fund:					
Sales and Use Tax	26.5%	26.4%	27.3%	27.1%	27.0%
Less: Property Tax Dedication	(2.0)	(2.0)	(2.1)	(2.1)	(2.1)
Net Sales and Use Tax	24.5	24.4	25.2	25.0	24.9
Motor Fuels Tax	1.7	1.7	1.9	1.8	2.0
Corporation Taxes	7.4	7.2	7.1	7.9	7.2
Motor Vehicle Fees	1.3	1.5	1.6	1.4	1.4
Cigarette Tax	0.7	0.8	1.0	0.8	0.7
Other Major Taxes	7.6	7.0	6.8	7.8	8.0
Medicaid Uncompensated Care	1.2	1.4	1.5	1.7	1.8
Other Miscellaneous Taxes, Fees and Revenues	7.2	7.8	7.3	7.4	7.3
Lottery Funds	3.1	3.5	3.3	3.2	3.3
Tobacco Litigation Settlement	0.1	0.3	0.3	0.2	0.2
Other Transfers	2.0	2.4	2.8	2.5	2.8
Total General Fund	56.8	58.0	58.8	59.7	59.6
Property Tax Relief Fund:					
Gross Income Tax	39.7	39.1	38.1	37.0	37.0
Plus: Property Tax Dedication	2.1	2.1	2.1	2.2	2.1
Gross Property Tax Relief Fund	41.8	41.2	40.2	39.2	39.1
Gubernatorial Elections Fund	—	—	—	—	—
Casino Control Fund	0.2	0.2	0.2	0.2	0.2
Casino Revenue Fund	1.2	0.6	0.8	0.9	1.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Fiscal Year 2013 and Fiscal Year 2014 Estimated Resources

Sales and Use Tax — The Sales and Use Tax collections for Fiscal Year 2013 are estimated to increase 3.8% from Fiscal Year 2012. Sales and Use Tax collections for Fiscal Year 2014 are estimated to increase 5.3% from Fiscal Year 2013. This growth in Sales and Use Tax collections primarily reflects ongoing growth in consumer spending as employment and incomes recover, but also reflects revenues stemming from purchases of products connected to the recovery from Super Storm Sandy as well as from the turnaround in homebuilding. Furthermore, it is also anticipated that there will be a step-up in the level of collections resulting from Amazon.com, Inc.'s agreement to begin collecting Sales and Use Tax on State residents' purchases beginning July 1, 2013.

Gross Income Tax — The Gross Income Tax collections for Fiscal Year 2013 are estimated to increase 9.6% from Fiscal Year 2012. Gross Income Tax collections for Fiscal Year 2014 are estimated to increase 6.9% from Fiscal Year 2013. Fiscal Year 2013 collections are elevated, in part, by payments of calendar year 2012 liabilities on the realizations of dividend and capital gains in late 2012 in advance of the January 1, 2013 increase in federal tax rates for high income individuals. The increase in Gross Income Tax collections since Fiscal Year 2010 reflects not only the general recovery in household income, but also the pronounced increases in Gross Income Tax payments from individuals in higher income groups. New Jersey's progressive income tax structure makes the State's Gross Income Tax collections sensitive to losses and gains at higher income levels.

Corporation Business Tax — The Corporation Business Tax collections for Fiscal Year 2013 are estimated to increase 11.1% from Fiscal Year 2012. The Corporation Business Tax collections for Fiscal Year 2014 are estimated to increase 7.0% from Fiscal Year 2013. Corporate tax collections were sluggish prior to Fiscal Year 2013 despite the broad recovery in reported earnings, possibly in part due to the continuing carry forward of

losses experienced during the national economic recession. The projected Fiscal Year 2014 increase in Corporation Business Tax collections assumes that the underlying strength in corporate earnings will continue to show through in Corporation Business Tax collections, though the increase is tempered by the impact of the Fiscal Year 2012 business tax reforms and redemptions of previously awarded tax credits.

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 2013 are estimated to decrease 9.1% from Fiscal Year 2012. Collections for Fiscal Year 2014 are estimated to increase by $166 million from Fiscal Year 2013. Much of the anticipated rebound in revenues reflects the introduction of Internet gaming.

Other Resources — The State's reliance on non-recurring resources continues to decline in Fiscal Year 2014, representing only 3.6% of appropriations compared to 13% in Fiscal Year 2010. Of the $1.17 billion of non-recurring resources, $163.9 million represents the use of opening undesignated fund balance, and $77.0 million is due to the continued phase in of the Fiscal Year 2012 business tax reforms. Another $288.8 million reflects revenue initiatives, including a $152.2 million transfer from the Clean Energy Fund to the General Fund and $100.0 million in expected legal settlements. The remainder of the non-recurring resources provide for offsets to appropriations in the amount of $644.5 million, comprised mainly of two items: debt service savings of $296.5 million and the utilization of $324.0 million of resources from the New Jersey Turnpike Authority to offset appropriations for New Jersey Transit and maintenance costs.

Potential Impacts on Fiscal Year 2013 and Fiscal Year 2014 Revenues

State revenue collections for Fiscal Year 2013 estimated as of June 30, 2013 are expected to be lower by $538 million than the original Fiscal Year 2013 estimate made at the time of the enactment of the Fiscal Year 2013 Appropriations Act. For Fiscal Year 2013, $165 million from municipal affordable housing trust funds received in the New Jersey Affordable Housing Trust Fund was to be deposited in the State's General Fund as State revenue. (See "LITIGATION — *In re Failure of Council on Affordable Housing to Adopt Trust Fund Commitment Regulations*.") It is possible that a portion of the anticipated revenue will not be realized. Municipalities were required to submit by August 2, 2013, their reasons for disagreement with the Council On Affordable Housing (COAH) staff's determination of how much of the municipalities' affordable housing trust fund is uncommitted and therefore subject to transfer to the State. COAH is currently analyzing the municipalities' submissions.

The Fiscal Year 2014 Appropriations Act anticipates a $166 million increase in casino revenues from Fiscal Year 2013. This estimate does not include any potential revenue from sports betting. Almost all of the anticipated increase reflects the introduction of Internet gaming, which is expected to commence during or about the fourth quarter of calendar year 2013.

Revenues for Fiscal Year 2014 also rely upon estimates of national economic conditions that incorporate the impact of the sequester on the macroeconomy, but it is recognized that the impact of the federal budget on the U.S. economy as a whole, and any spillovers to the New Jersey's economy and revenues, are uncertain and will remain unknown until the federal fiscal year 2014 budget process is completed. The sequester of federal funds is estimated to have a direct impact on State revenues of up to $25 million for Fiscal Year 2014 resulting from reductions in federal spending in New Jersey.

Federal Aid

Actual federal aid receipts in the General Fund and Special Transportation Fund for Fiscal Years 2010 through 2012, which are non-budgeted revenues, amounted to $12,364.8 million, $11,195.3 million and $10,665.0 million, respectively. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2013 are estimated as of June 30, 2013 to be $11,757.0 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 2014 as contained in the Fiscal Year 2014 Appropriations Act are estimated

to be $12,959.7 million. Such federal aid receipts for Fiscal Year 2014 are composed of $5,611.4 million for medical payments, $49.6 million for social services block grants, $852.3 million for welfare, $2,037.6 million for other human services, $835.3 million for Title I and other education, $493.5 million for labor, $1,133.3 million for transportation, and the remainder for all other federal aid programs.

The Disaster Relief Appropriations Act of 2013 ("Federal Relief Act"), which was signed into law on January 29, 2013, provides approximately $50.38 billion to assist states impacted by Super Storm Sandy and other federally declared disasters. The money is allocated primarily among eight (8) federal agencies. The largest recipients of funds include the U.S. Department of Housing and Urban Development ($16 billion), the U.S. Department of Transportation ($13 billion), the U.S. Department of Homeland Security ($12 billion) and the Army Corps of Engineers ($5 billion). These federal agencies have been instituting allocation methodologies and program rules governing the distribution of funds among impacted areas. In some cases this funding will be provided directly to the states to manage and implement recovery efforts, or to provide direct funding to individuals. In other cases, the states will not be involved in administering and disbursing this funding. Other funds from the Federal Relief Act will be spent directly by federal agencies on projects that will benefit the State and its residents.

On February 6, 2013, the U.S. Department of Housing and Urban Development ("HUD") announced a first tranche of these funds and stated that of the approximately $16 billion in Community Development Block Grant-Disaster Relief ("CDBG-DR") funding, New Jersey will receive approximately $1.83 billion of this first tranche. On April 29, 2013, HUD approved the State's Action Plan outlining how the State will utilize these CDBG-DR grant monies. Local or State matching is not required for this program.

Funds available under the Federal Relief Act often require matching dollars from the applicant (including the State). The State has established strategies to identify and cover the varying cost-share requirements. In many cases, the State has identified federal recovery funds which can be used to satisfy the required cost-share. The State has also identified and tracked in-kind, volunteer and other "soft match" opportunities to offset cost-share requirements where available. In nearly all cases, the local matching requirement is a limited portion of the federal monies being made available to assist with recovery efforts. On June 25, 2013, the Federal Emergency Management Agency ("FEMA") notified the State that it would reimburse all categories of Public Assistance at 90% of total eligible costs, except for Public Assistance categories previously authorized to be reimbursed at 100% of total eligible costs. Items not categorized as Public Assistance, such as Other Needs Assistance and Hazard Mitigation remain reimbursable at 75% of total eligible costs. As the recovery from Super Storm Sandy continues, the State will maintain these efforts to ensure that all matching requirements are identified and budgeted. The State continues to work closely with local communities, stakeholders and the federal government to identify local needs and priorities for rebuilding and to ensure that all available resources are used appropriately and efficiently in the rebuilding effort.

Appropriations

Appropriations–Fiscal Year 2010 through Fiscal Year 2014

The following table sets forth the composition of annual appropriations, including supplemental appropriations and de-appropriations (except for Fiscal Year 2014) in Fiscal Years 2010 through 2014, 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 2010 through 2012 are actual and final. The amounts for Fiscal Year 2013 are based on appropriations contained in the Fiscal Year 2013 Appropriations Act, plus net supplemental appropriations of $35 million as of June 30, 2013 (including supplemental appropriations of $400 million and de-appropriations of $365 million), and are subject to adjustment pending completion of the annual audit. The amounts appropriated for Fiscal Year 2014 reflect the amounts shown in the Fiscal Year 2014 Appropriations Act.

The State has made appropriations for principal and interest payments for general obligation bonds for Fiscal Years 2010 through 2013 in the amounts of $261.1 million, $204.7 million, $276.9 million and

$410.6 million, respectively. The Fiscal Year 2014 Appropriations Act includes an appropriation in the amount of $319.7 million, representing principal and interest payments for general obligation bonds. This appropriation reflects anticipated savings from utilizing available, uncommitted amounts and residual project balances held in general obligation bond funds, available bond premium from the sale of general obligation bonds in May 2013, and normal reductions in scheduled payments for existing general obligation bond debt service.

The Fiscal Year 2014 Appropriations Act also appropriates $2,646.4 million for debt service on obligations supported by State revenue subject to annual appropriation. This amount differs from the amounts shown on pages I-38 and I-39 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, utilizing available, uncommitted amounts and residual project balances held in bond funds, available bond premium from the sale of obligations supported by State revenue subject to annual appropriation, the termination of interest rate swap agreements and letters of credit and normal reductions in scheduled payments for existing debt service on such obligations.

The total Fiscal Year 2014 general obligation bonds and obligations supported by State revenue subject to annual appropriation debt service appropriations is $2,966.1 million or approximately 9.0% of total State appropriations for Fiscal Year 2014. For more information, see "OUTSTANDING BONDED INDEBTEDNESS OF THE STATE" and "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION".

In Fiscal Year 2014, $1,675.7 million is appropriated to make pension contributions to the defined benefit pension plans for State ($570.0 million), PreK-12 education ($986.0 million), local government ($74.0 million), and higher education ($45.7 million) employees, whose benefits are funded by the State. The Fiscal Year 2014 payment is the largest pension contribution in State history and represents an increase of $646.4 million over the Fiscal Year 2013 appropriation of $1,029.3 million.

The Fiscal Year 2014 Appropriations Act includes anticipated total savings of $234 million due to an increase in employee health contributions. This amount represents an additional savings of $84.4 million from the prior year. The 2011 pension and health benefits reform (L.2011, c.78) ("Chapter 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 2014, the third year of the phase-in, those percentages will range from 2.3% to 26.3%.

The Fiscal Year 2014 Appropriations Act provides $8,574.0 million in PreK-12 formula aid, an increase of $111.4 million from Fiscal Year 2013. The level of funding provided to districts in their Fiscal Year 2014 aid notices was calculated based on a methodology similar to that used in Fiscal Year 2013. Fiscal Year 2014 also includes a new aid category for districts spending significantly below the State-defined adequacy level and aid to ensure that no district receives less total K-12 formula aid than in Fiscal Year 2013. The methodologies used to calculate aid in both Fiscal Years 2013 and 2014 are different than the statutory funding formula.

Fiscal Year 2014 appropriations are based on an estimate of 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, New Jersey contracts with managed care organizations (MCOs) to provide services to most Medicaid clients at an annual state cost of approximately $2 billion. MCO rates for the six month period between January 1, 2014 and June 30, 2014 are still being developed by the State's actuaries and are subject to federal adequacy rules. 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.

Appropriations of Federal Aid

The Fiscal Year 2014 Appropriations Act implements the health care expansion of the federal Patient Protection and Affordable Care Act ("PPACA"). This will expand Medicaid coverage by an estimated 104,000 individuals effective January 1, 2014. 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. It is estimated that this will reduce the State's Fiscal Year 2014 costs by $227.4 million. At the same time, however, PPACA will increase State costs in other areas. For example, the individual mandate and associated tax penalties may encourage additional enrollment in the regular Medicaid program, which will maintain its 50/50 State/ federal cost share. It is estimated that this possibility and other facets of PPACA will increase State Medicaid costs by $42.3 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 2014 Appropriations Act. 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 2013 (which ends September 30, 2013) or 2014 (which ends September 30, 2014) 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. Fifteen audits totaling approximately $337.8 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 $33.7 million in federal revenues to offset these potential disallowances. See also "LITIGATION – *Medicaid, Tort, Contract, Workers' Compensation and Other Claims*".

The Fiscal Year 2014 Appropriations Act assumes federal approval of a new method of reimbursing hospitals previously receiving $167 million annually from the Hospital Relief Subsidy Fund. The Fiscal Year 2014 Appropriations Act anticipates $83.3 million in federal Medicaid matching funds to support hospital payments from a Delivery System Reform Incentive Payments (DSRIP) pool. Federal approval of this new funding mechanism, which replaces the Hospital Relief Subsidy Fund has been granted; however, $41.6 million in matching dollars remain contingent upon finalization and federal approval of program rules and hospital specific project detail.

Also ongoing is the effort to evaluate the effects of the federal Budget Control Act of 2011. However, it is believed that most of the across-the-board reductions in federal fiscal year 2013, which ends September 30, 2013, will not have a material impact on the State or any State department programs. The impact of the federal fiscal year 2014 reductions and the programs impacted cannot be determined until the federal fiscal year 2014 budget process is completed. The Fiscal Year 2014 Appropriations Act includes $3 million of contingency funding for flexibility to deal with any critical impacts of the federal sequester.

State Unemployment Insurance Trust Fund

In Fiscal Year 2013, the Unemployment Insurance Trust Fund (the "Trust Fund"), which provides funding for unemployment benefits in the State, received approximately $2.8 billion in contributions from employers and workers while paying out approximately $2.5 billion in regular, annual State unemployment benefits (excluding benefits paid entirely by the federal government) on a cash basis. In Fiscal Year 2014, contributions from employers and workers are expected to approximate $3.0 billion, while regular State unemployment benefits will approximate $2.5 billion. The $3.0 billion estimate of contributions assumes no increases in tax rates compared to Fiscal Year 2013 (as further discussed below). As of June 24, 2013, the State's outstanding loan balance to the U.S. Department of Labor is $324.3 million for cash advances to provide funding for unemployment insurance benefits. The State expects to fully repay these federal loans, which occurred annually from Fiscal Year 2009 through Fiscal Year 2013, during Fiscal Year 2014. Repayments of these advances are solely the obligation of the Trust Fund and are not obligations of the State's General Fund.

Under current State law, the State unemployment tax rate imposed on 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. Because the Trust Fund is considered in deficit until the federal loans are repaid, such statutory formula provides for an increase in the employer tax rate. Subsequent legislation limited increases in employer taxes in Fiscal Years 2011 through Fiscal Year 2014 to less than that called for by such statutory formula. The federal government also imposes its own employer tax formula for states with an outstanding federal loan balance. The normal Federal Unemployment Tax Act (FUTA) rate is 0.6% of the first $7,000 in wages per employee, up to $42. The rate increases 0.3% each year a loan balance remains outstanding as of November 9th, with the increased rate in effect for the following calendar year. The rate paid in Calendar Year 2013 is 1.2% or up to $84 per employee. This rate would increase to 1.5% or up to $105 in Calendar Year 2014 pending the loan balance as of November 9th. The Fiscal Year 2014 contributions estimate above assumes no increase in the State employer tax rate and the minimal FUTA rate of 0.6%. No change in the employee rate has occurred.

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

	For the Fiscal Year Ended June 30,				
	2014 Estimated	2013 Estimated(2)	2012 Actual	2011 Actual	2010 Actual
General Fund:					
Legislative Branch	$ 76.1	$ 76.7	$ 73.7	$ 75.6	$ 74.8
Chief Executive's Office	6.0	6.0	5.7	4.5	4.7
Department of:					
Agriculture	19.6	19.5	19.6	19.4	22.5
Banking and Insurance	63.4	63.4	63.0	59.7	67.5
Children and Families	1,050.0	1,081.6	1,058.4	1,045.9	1,066.4
Community Affairs	180.1	182.1	59.5	64.1	261.2
Corrections	1,084.5	1,077.8	1,090.4	1,080.7	1,147.1
Education	252.7	948.7	223.2	555.6	664.5
Environmental Protection	352.5	336.3	334.2	348.8	379.8
Health	370.4	333.7	1,222.3	1,213.3	1,067.9
Human Services	5,955.4	6,245.6	5,215.0	4,514.0	4,404.4
Labor and Workforce Development	157.1	157.0	154.5	156.7	144.8
Law and Public Safety	512.4	513.9	509.8	503.1	530.4
Military and Veterans Affairs	94.1	94.3	94.0	90.8	90.9
Public Advocate(3)	—	—	—	—	16.5
State	1,226.4	1,172.6	1,148.8	1,159.6	1,261.7
Transportation	1,278.5	1,136.0	1,311.5	1,252.8	1,277.2
Treasury	1,348.8	1,386.3	1,223.6	1,145.4	1,180.0
Miscellaneous Executive Commissions	0.8	1.0	1.0	1.3	1.5
Inter-Departmental Accounts — Employee Benefits and Miscellaneous	4,101.7	3,724.6	3,445.7	3,444.5	2,874.1
Judicial Branch	677.5	673.0	663.5	656.3	641.4
Total General Fund	$18,808.0	$19,229.9	$17,917.4	$17,392.1	$17,179.3
Property Tax Relief Fund:					
Department of:					
Community Affairs	$ 575.9	$ 560.1	$ 686.0	$ 669.6	$ 819.7
Education	12,229.1	10,816.4	10,407.5	10,298.3	8,954.9
Environmental Protection	—	—	—	—	10.0
Human Services	130.2	—	160.3	165.5	—
Treasury	784.8	786.6	857.4	585.1	1,463.8
Total Property Tax Relief Fund	$13,720.0	$12,163.1	$12,111.2	$11,718.5	$11,248.4
Gubernatorial Elections Fund					
Department of:					
Law and Public Safety	$ 10.0	$ 6.2	$ —	$ —	$ 8.8
Total Gubernatorial Elections Fund	$ 10.0	$ 6.2	$ —	$ —	$ 8.8
Casino Control Fund					
Department of:					
Law and Public Safety	$ 47.1	$ 46.7	$ 46.8	$ 42.3	$ 44.0
Treasury	8.2	8.6	9.1	24.4	26.6
Total Casino Control Fund	$ 55.3	$ 55.3	$ 55.9	$ 66.7	$ 70.6
Casino Revenue Fund					
Department of:					
Health	$ 0.5	$ 0.5	$ 90.3	$ 108.0	$ 172.4
Human Services	360.4	207.9	130.4	130.5	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	20.4	24.7	25.1	29.1	30.2
Total Casino Revenue Fund	$ 383.6	$ 235.4	$ 248.1	$ 269.9	$ 335.4
Total Appropriations	$32,976.9	$31,689.9	$30,332.6	$29,447.2	$28,842.5

(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.

(3) Pursuant to L. 2010, c. 34, the Department of the Public Advocate was abolished as a department of the Executive Branch of State government, effective June 30, 2010.

The following tables set forth appropriations by department and by major category for Fiscal Year 2014 and 2013.

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

Government Branch	Direct State Services	Grants-In-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive	$ 6.0	$ —	$ —	$ —	$ —	$ 6.0
Agriculture	7.2	6.8	5.6	—	—	19.6
Banking and Insurance	63.4	—	—	—	—	63.4
Children and Families	268.1	781.9	—	—	—	1,050.5
Community Affairs	38.4	41.6	676.0	—	—	756.0
Corrections	959.2	104.8	20.5	—	—	1,084.5
Education	67.9	3.4	12,410.5	—	—	12,481.8
Environmental Protection	211.0	20.3	8.8	90.9	21.5	352.5
Health	45.5	325.4	—	—	—	370.9
Human Services	631.6	5,313.3	501.1	—	—	6,446.0
Labor and Workforce Development	92.4	66.9	—	—	—	159.3
Law and Public Safety	542.7	26.9	—	—	—	569.6
Military and Veterans' Affairs	91.5	2.6	—	—	—	94.1
State	28.1	1,183.3	15.0		—	1,226.4
Transportation	44.8	73.2	20.3	1,160.6	—	1,298.9
Treasury	456.4	949.6	437.6	—	298.2	2,141.8
Miscellaneous Commissions	0.8	—	—	—	—	0.8
Interdepartmental	2,855.7	1,101.7	—	144.3	—	4,101.7
Subtotal	6,410.7	10,001.7	14,095.4	1,395.8	319.7	32,223.3
Legislature	76.1	—	—	—	—	76.1
Judiciary	677.5	—	—	—	—	677.5
Grand Total	$7,164.3	$10,001.7	$14,095.4	$1,395.8	$319.7	$32,976.9

(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 2014 Appropriations Act.

ADJUSTED APPROPRIATIONS FOR BUDGETED STATE FUNDS(1)
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
($ MILLIONS)

Government Branch	Direct State Services	Grants In-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive	$ 6.0	$ —	$ —	$ —	$ —	$ 6.0
Agriculture	7.1	6.8	5.6	—	—	19.5
Banking and Insurance	63.4	—	—	—	—	63.4
Children and Families	278.6	803.0	—	—	—	1,081.6
Community Affairs	35.6	38.1	668.5	—	—	742.2
Corrections	955.6	101.7	20.5	—	—	1,077.8
Education	73.4	2.4	11,689.3	—	—	11,765.1
Environmental Protection	207.4	16.7	7.1	85.8	19.3	336.3
Health	43.5	290.7	—	—	—	334.2
Human Services	630.0	5,306.9	516.6	—	—	6,453.5
Labor and Workforce Development	92.2	67.0	—	—	—	159.2
Law and Public Safety	544.5	22.4	—	—	—	566.9
Military and Veterans' Affairs	91.6	2.7	—	—	—	94.3
State	28.2	1,129.4	15.0	—	—	1,172.6
Transportation	83.9	68.2	24.6	984.0	—	1,160.7
Treasury	465.5	918.6	405.9	—	391.3	2,181.3
Miscellaneous Commissions	1.0	—	—	—	—	1.0
Interdepartmental	2,478.0	1,055.3	—	191.3	—	3,724.6
Subtotal	6,085.5	9,829.9	13,353.1	1,261.1	410.6	30,940.2
Legislature	76.7	—	—	—	—	76.7
Judiciary	673.0	—	—	—	—	673.0
Grand Total	$6,835.2	$9,829.9	$13,353.1	$1,261.1	$410.6	$31,689.9

(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 and de-appropriations. Lapses in appropriations are not included. See "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS" herein.

The following table sets forth, by major category, the original, supplemental appropriations and de-appropriations for Fiscal Year 2013 and the appropriations for Fiscal Year 2014 as contained in the Fiscal Year 2014 Appropriations Act.

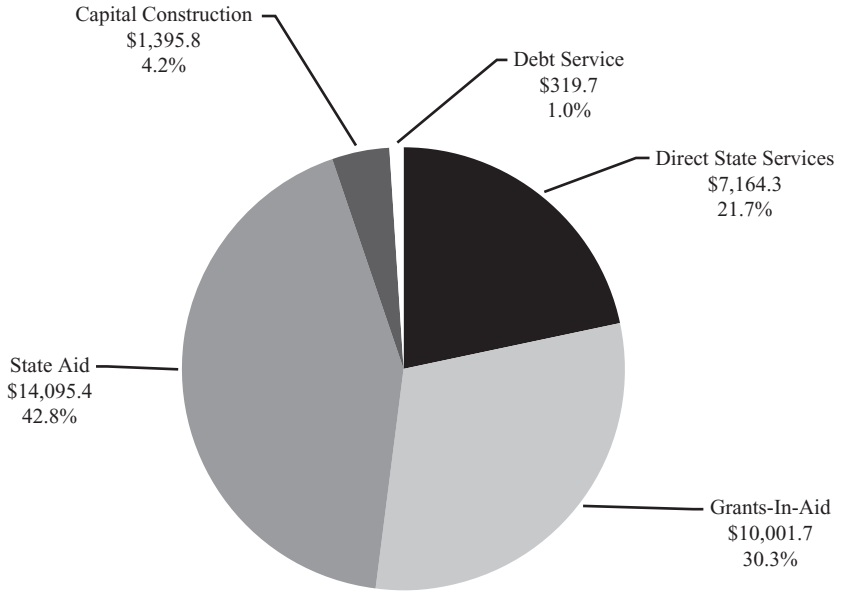
SUMMARY OF APPROPRIATIONS
($ Millions)

	Fiscal Year 2014	Fiscal Year 2013[1]	Dollar Change	Percentage Change
State Aid	$14,095.4	$13,353.1	$ 742.3	5.6%
Grants-in-Aid	10,001.7	9,829.9	171.8	1.7
Direct State Services	7,164.3	6,835.2	329.1	4.8
Capital Construction	1,395.8	1,261.1	134.7	10.7
Debt Service	319.7	410.6	(90.9)	(22.1)
	$32,976.9	$31,689.9	$1,287.0	4.1%

(1) Adjusted appropriations for Fiscal Year 2013 reflect the addition of net supplemental appropriations of $35 million as of June 30, 2013 (including supplemental appropriations of $400 million and de-appropriations of $365 million) as made by the Legislature and approved by the Governor. Lapses in appropriations are not reflected in the table above. See "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES – BUDGETED STATE FUNDS" herein.

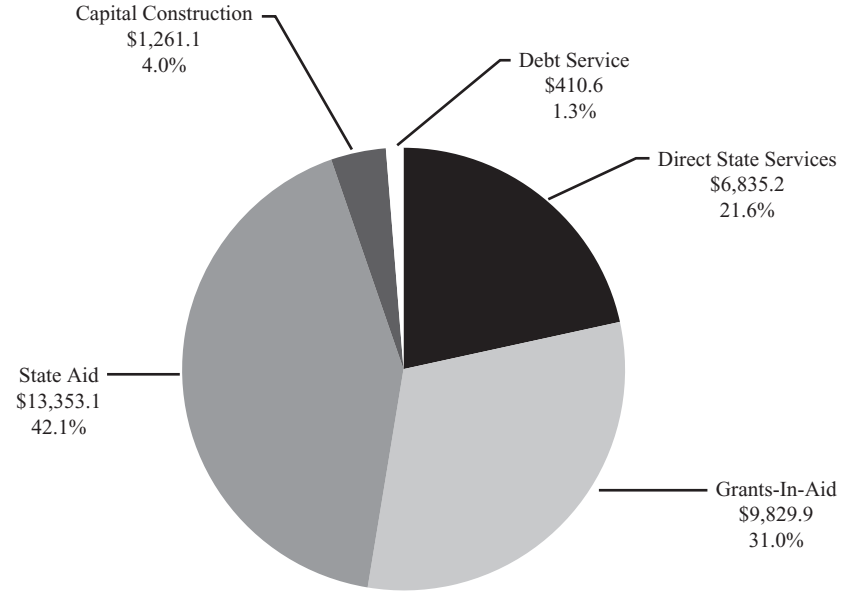
Of the total Fiscal Year 2014 increase in appropriations of $1,287.0 million, the majority, $742.3 million, is reflected in State Aid. This 5.6% increase in State Aid is predominantly attributable to increases in aid to education programs, including related debt service and pensions and health benefits, offset by reductions to income maintenance programs as costs trend downward. The 22.1% reduction in Debt Service in Fiscal Year 2014 reflects anticipated savings from utilizing available, uncommitted amounts and residual project balances held in general obligation bond funds, available bond premium from the sale of general obligation bonds in May 2013, and normal reductions in scheduled payments for existing general obligation bond debt service.

Fiscal Year 2014 Appropriations by Use
($ in Millions)



Total - $32,976.9

Fiscal Year 2013 Adjusted Appropriations by Use
($ in Millions)



Total - $31,689.9

Programs Funded Under Appropriations in Fiscal Year 2014

Of the $32,976.9 million appropriated for Fiscal Year 2014 from the General Fund, the Property Tax Relief Fund, the Casino Control Fund, the Casino Revenue Fund and the Gubernatorial Elections Fund, $14,095.4 million (42.8%) is appropriated for State Aid, $10,001.7 million (30.3%) is appropriated for Grants-in-Aid, $7,164.3 million (21.7%) is appropriated for Direct State Services, $1,395.8 million (4.2%) is appropriated for Capital Construction and $319.7 million (1.0%) 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 2014 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.

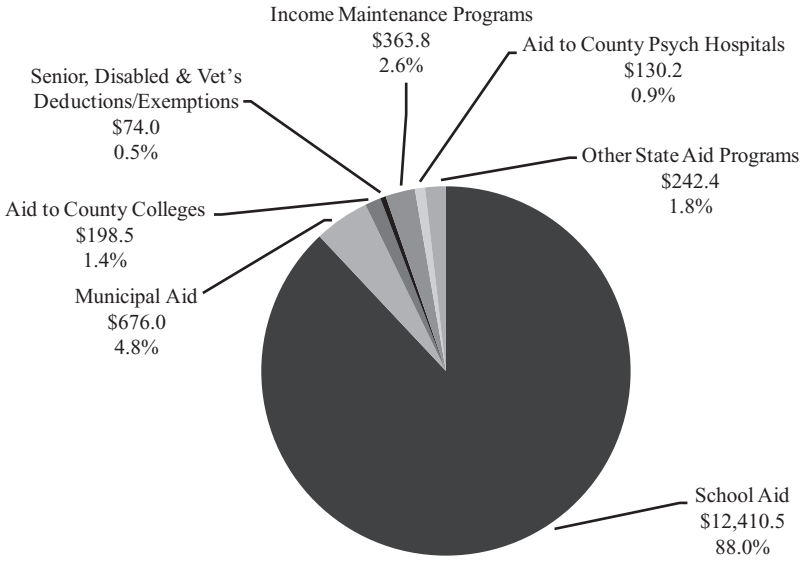
The largest State Aid appropriation, in the amount of $12,410.5 million, is appropriated for local preschool, elementary and secondary education programs. Of this amount, $8,574.0 million in formula aid for PreK-12 education, including School Choice Aid, will be distributed. The level of funding provided to districts in their Fiscal Year 2014 aid notices was calculated based on a methodology similar to that used in Fiscal Year 2013. Fiscal Year 2014 also includes a new aid category for districts spending significantly below the State-defined adequacy level and aid to ensure that no district receives less total K-12 formula aid than in Fiscal Year 2013. The methodologies used to calculate aid in both Fiscal Year 2013 and 2014 are different than the statutory funding formula. In addition to formula aid for PreK-12 education, $522.5 million is appropriated for debt service on School Construction Bonds issued by the New Jersey Economic Development Authority, $67.4 million is appropriated in School Building Aid to school districts, and $57.4 million is appropriated for School Construction Debt Service Aid to school districts. Also, $2,911.0 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 $676.0 million in State Aid for Fiscal Year 2014. Consolidated Municipal Property Tax Relief Aid is appropriated in the amount of $575.9 million. These appropriations also include $94.5 million for the Transitional Aid to Localities program. Under this program, aid is awarded through a competitive process and requires recipient municipalities 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 $501.1 million in State Aid for Fiscal Year 2014. The principal programs funded by these appropriations are $363.8 million for various income maintenance programs for the economically disadvantaged and $130.2 million for patients in county psychiatric hospitals.

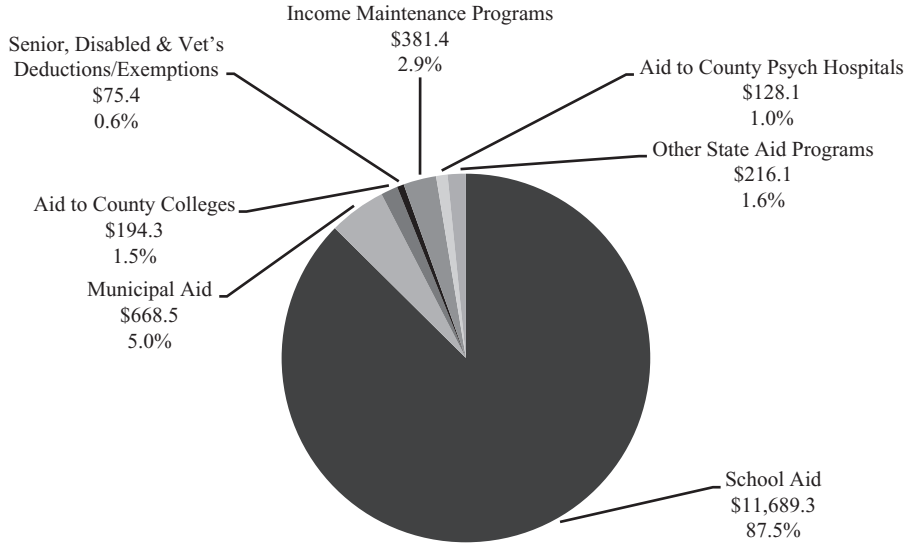
Appropriations for the Department of the Treasury total $437.6 million in State Aid for Fiscal Year 2014. The principal programs funded by these appropriations are aid to county colleges ($198.5 million) and the cost of property tax deductions for seniors, citizens with disabilities, and veterans ($74.0 million).

Fiscal Year 2014 State Aid Appropriations
($ in Millions)



Total - $14,095.4

Fiscal Year 2013 State Aid Adjusted Appropriations
($ in Millions)



Total - $13,353.1

Grants-in-Aid

The second largest portion of the appropriations in Fiscal Year 2014 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 2014 for Grants-in-Aid is $10,001.7 million.

$5,313.3 million is appropriated for programs administered by the Department of Human Services. Of that amount, $3,827.6 million is for medical services provided under the Medicaid program (excluding FamilyCare), $600.7 million is for community programs for the developmentally disabled, $371.7 million is for community programs for the mentally ill, $172.2 million is for health insurance for adults and children through the FamilyCare program, $157.5 million is for assistance programs for the economically disadvantaged and homeless, $75.5 million is for Pharmaceutical Assistance to the Aged and Disabled, $45.8 is for other programs for the aged, and $34.9 million is for addiction services.

$949.6 million is appropriated for the Department of the Treasury. Included in this amount is $400.5 million for the Fiscal Year 2014 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. The Homestead Benefits for calendar year 2013 originally scheduled to be paid during Fiscal Year 2013 were deferred to Fiscal Year 2014 and were paid by August 1, 2013. Also included in the appropriation is $214.2 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 2014 will be the third consecutive year of the current program, following a one-year freeze on enrollment and benefit levels in Fiscal Year 2011. The appropriation for the Department of the Treasury also includes $175.0 million for Business Employment Incentive Program grants, and $63.8 million for energy assistance programs in the Board of Public Utilities.

$781.9 million is appropriated for programs administered by the Department of Children and Families. Of that amount, $424.7 million is for child protective and permanency services, $296.1 million is for children's system of care services, and $61.2 million is for community programs intended to prevent child abuse and neglect.

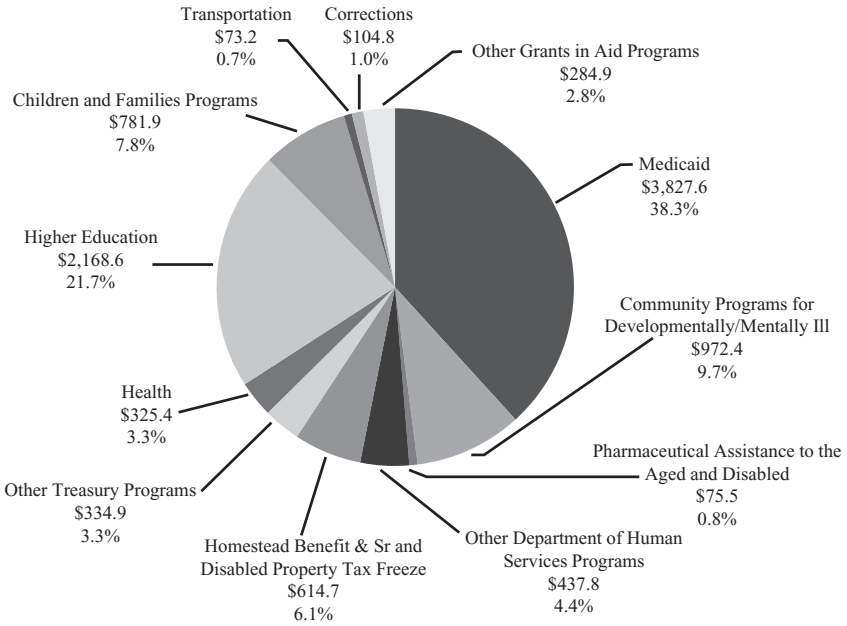
$734.8 million is appropriated for State colleges and universities. Other higher education appropriations are $478.4 million for various grant programs including $405.1 million for student financial assistance, $43.9 million for debt service on the Higher Education Capital Improvement Program, $18.8 million for University Hospital, and $6.5 million for debt service for the Dormitory Safety Trust Fund. In addition, $955.4 million is appropriated for fringe benefit costs of employees of State higher education institutions.

$325.4 million is appropriated for programs administered by the Department of Health. Of that amount, $134.6 million is for Health Care Systems Analysis, $86.0 million is for the Early Childhood Intervention Program, $53.3 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 $64.6 million for the purchase of community services, $36.1 million for alternative parole programs and $4.1 million for payments to county penal facilities to house State inmates.

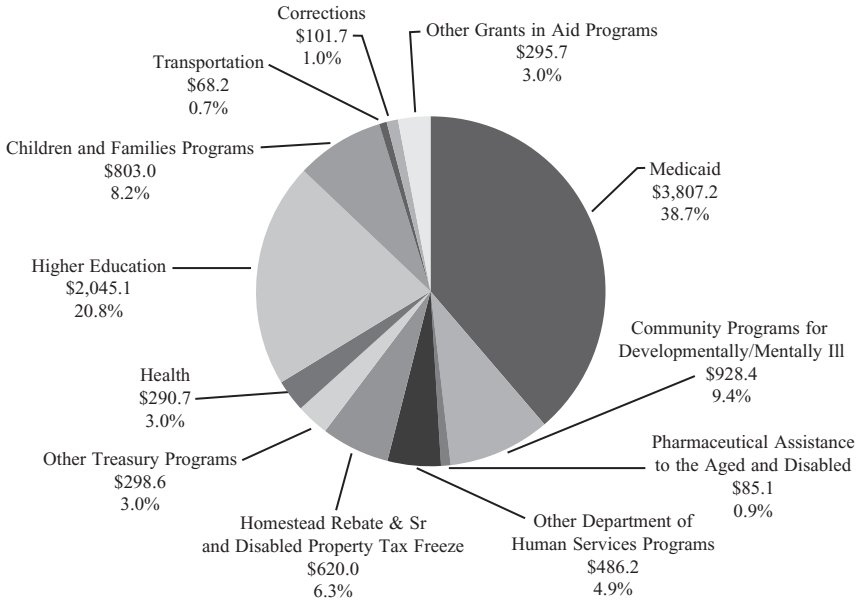
$73.2 million is appropriated for the Department of Transportation for bus and railroad subsidies.

Fiscal Year 2014 Grants-in-Aid Appropriations
($ in Millions)



Total - $10,001.7

Fiscal Year 2013 Grants-in-Aid Adjusted Appropriations
($ in Millions)



Total - $9,829.9

Direct State Services

The third largest portion of the appropriations in Fiscal Year 2014 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 2014, appropriations for Direct State Services aggregate to $7,164.3 million. Some of the major appropriations for Direct State Services during Fiscal Year 2014 are described below.

$2,480.4 million is appropriated in the Interdepartmental Accounts for fringe benefits for active and retired State employees, including health benefits ($1,348.9 million), pensions and non-contributory insurance ($613.2 million), employer taxes ($393.5 million), and a portion of the debt service on State Pension Funding bonds ($124.9 million) issued by the New Jersey Economic Development Authority. In addition, $54.9 million is appropriated for Fiscal Year 2014 to fund across-the-board (ATB) salary increases and contractual employee increments for eligible employees. The Fiscal Year 2014 Appropriations Act funds a 1% ATB increase for most civilian employees. Civilian contracts also include a one-time $450 bonus, not added to base salary, for employees ineligible for step increments. The contract for the Police Benevolent Association (PBA) provides employees at the top step of the salary guide a 1.75% salary increase in Fiscal Year 2014. Ratified agreements do not provide any other salary increases in Fiscal Year 2014. For more information, see "STATE EMPLOYEES – Contract Status" herein.

$959.2 million is appropriated for the Department of Corrections (including the State Parole Board) and $542.7 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.

$631.6 million is appropriated for programs administered by the Department of Human Services. Of that amount, $494.7 million is appropriated for mental health and developmentally disabled programs, including the operation of four psychiatric institutions ($279.2 million), and seven developmental centers ($159.0 million); $40.1 million is appropriated for administration of the various income maintenance programs, including Work First New Jersey; and $36.0 million is appropriated for administration of the Medicaid program.

$268.1 million is appropriated for programs administered by the Department of Children and Families for various children's services programs.

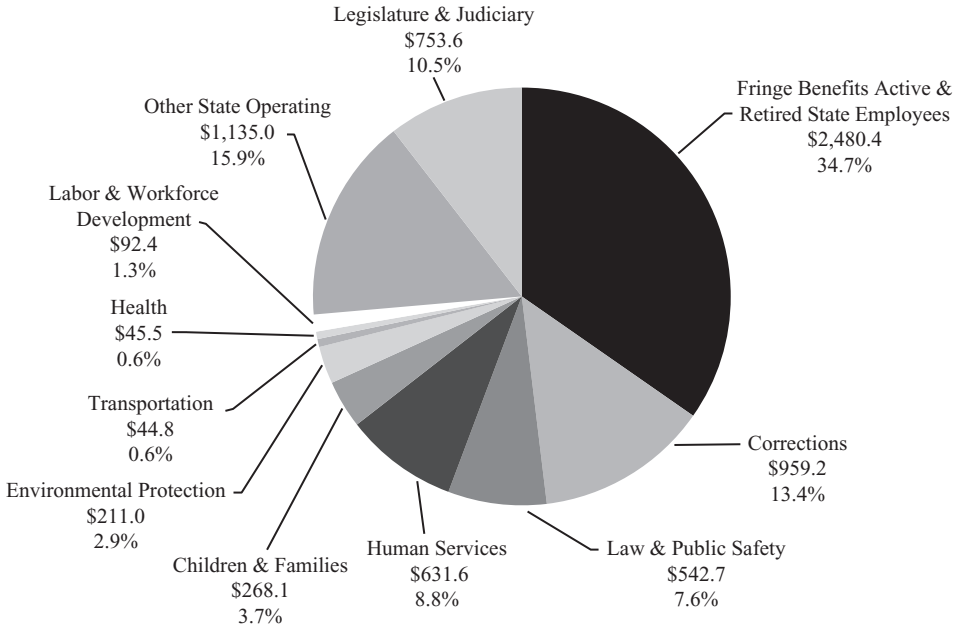
$211.0 million is appropriated for the Department of Environmental Protection for the protection of air, land, water, forest, wildlife and shellfish resources and for the provision of outdoor recreational facilities.

$92.4 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.

$45.5 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.

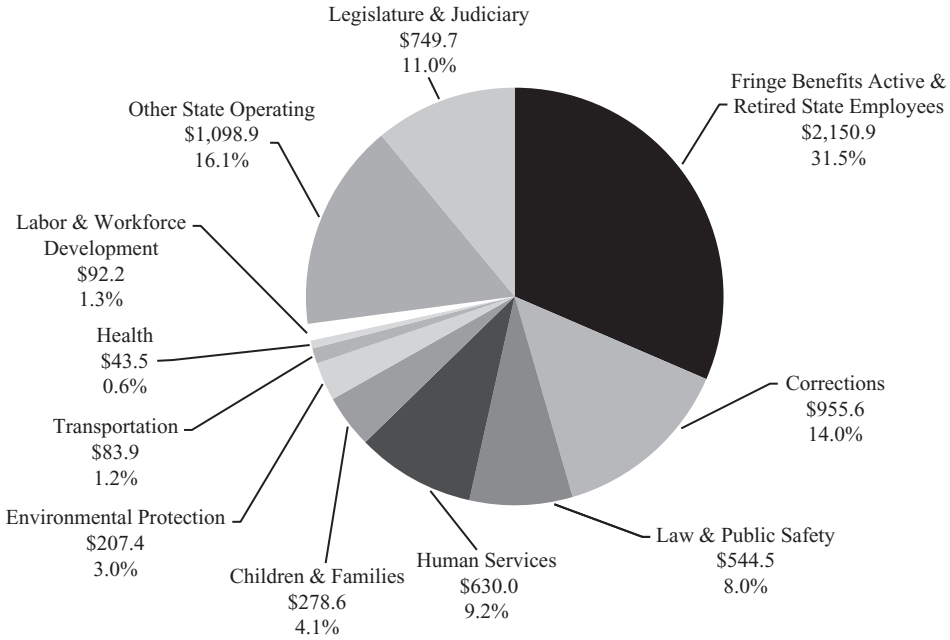
$44.8 million is appropriated for the Department of Transportation for the various programs it administers, such as the maintenance and improvement of the State highway system and winter operations.

Fiscal Year 2014 Direct State Services Appropriations
($ in Millions)



Total - $7,164.3

Fiscal Year 2013 Direct State Services Adjusted Appropriations
($ in Millions)



Total - $6,835.2

Capital Construction

Capital Construction is funded by a combination of "pay-as-you-go" appropriations and bond proceeds. The Fiscal Year 2014 Appropriations Act includes appropriations of $1,395.8 million for capital construction pay-as-you-go and debt service on bonds issued to fund capital construction. This amount includes $1,160.6 million for transportation debt service, which is being 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 $36.6 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 $10.0 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 2014, 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 2014 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, 2013, see "OUTSTANDING BONDED INDEBTEDNESS OF THE STATE" herein. The appropriation for debt service on the State's general obligation bonds is $319.7 million for Fiscal Year 2014 reflects anticipated savings from utilizing available, uncommitted amounts and residual project balances held in general obligation bond funds, available bond premium from the sale of general obligation bonds in May 2013, and normal reductions in scheduled payments for existing general obligation bond debt service. 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 System". The table on the following page displays the expenditures for Fiscal Years 2010 through 2012.

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		
	2012	2011	2010
General Fund:			
Legislative Branch	$ 78.4	$ 77.9	$ 77.7
Chief Executive's Office	7.3	6.8	6.1
Department of:			
Agriculture	402.0	382.6	349.6
Banking and Insurance	60.7	60.3	62.7
Children and Families	1,519.7	1,529.8	1,482.5
Community Affairs	554.6	678.1	818.6
Corrections	1,143.3	1,180.5	1,270.1
Education	1,191.2	1,845.6	2,827.7
Environmental Protection	508.9	467.0	524.2
Health	3,266.7	3,322.3	3,302.6
Human Services	11,184.7	10,851.0	10,773.4
Labor and Workforce Development	798.7	818.2	775.6
Law and Public Safety	1,136.0	1,078.8	1,013.2
Military and Veterans' Affairs	135.5	134.8	143.4
Public Advocate	—	—	16.6
State	1,189.7	1,192.6	1,378.2
Transportation	1,834.2	1,588.7	1,643.9
Treasury	2,760.7	2,568.3	2,683.6
Miscellaneous Executive Commissions	1.0	1.3	1.5
Interdepartmental Accounts	3,324.1	3,271.8	2,997.6
Judicial Branch	817.2	799.4	765.8
Total General Fund	$31,914.6	$31,855.8	$32,914.6
Property Tax Relief Fund:			
Department of:			
Community Affairs	$ 424.7	$ 428.8	$ 572.1
Education	10,791.0	9,638.5	8,873.6
Environmental Protection	—	—	9.8
Human Services	160.3	165.5	—
Treasury	803.4	581.1	1,452.2
Total Property Tax Relief Fund	$12,179.4	$10,813.9	$10,907.7
Gubernatorial Elections Fund	$ —	$ —	$ 9.5
Casino Control Fund:			
Department of:			
Law and Public Safety	$ 44.8	$ 39.5	$ 37.6
Treasury	7.6	21.2	23.9
Total Casino Control Fund	$ 52.4	$ 60.7	$ 61.5
Casino Revenue Fund:			
Department of:			
Health	$ 170.4	$ 150.5	$ 212.0
Human Services	130.5	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	25.1	29.1	30.2
Total Casino Revenue Fund	$ 328.3	$ 312.4	$ 375.0
Total Expenditures	$44,474.7	$43,042.8	$44,268.3

Balance Sheets

The comparative balance sheets for the General Fund as of June 30, 2011 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, 2012 are set forth below:

GENERAL FUND
COMPARATIVE BALANCE SHEETS
(Audited)

	As of June 30,	
	2012	**2011***
ASSETS		
Cash and Cash Equivalents	$ 30,861,411	$ 30,287,641
Investments	594,553,915	1,657,854,518
Receivables, Net of Allowances for Uncollectibles		
Federal Government	458,583,519	671,217,496
Departmental Accounts	1,985,912,853	1,617,295,791
Loans	24,461,703	23,977,021
Other	172,823,084	188,798,503
Due from Other Funds	867,840,869	1,041,032,669
Other	4,986,001	4,993,856
Total Assets	$4,140,023,355	$5,235,457,495
LIABILITIES		
Accounts Payable and Accruals	$1,371,923,310	$1,445,643,136
Deferred Revenue	269,582,724	401,246,235
Due to Other Funds	237,539,106	500,130,315
Other	200,483,708	156,427,715
Total Liabilities	$2,079,528,848	$2,503,447,401
Fund Balances *		
Restricted	$ 90,024,387	$ 84,030,275
Committed	1,529,098,445	1,783,854,952
Unassigned	441,371,675	864,124,867
Total Fund Balances	$2,060,494,507	$2,732,010,094
Total Liabilities and Fund Balances	$4,140,023,355	$5,235,457,495

Note:

* In Fiscal Year 2011, the State implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This statement established new fund balance classifications and clarified existing governmental fund type definitions.

See the 2012 CAFR incorporated herein by reference, for the notes, including Note 2, 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, 2012
(Audited)

	Casino Control Fund (1)	Casino Revenue Fund (2)	Gubernatorial Elections Fund (3)	Property Tax Relief Fund (4)
ASSETS				
Cash and Cash Equivalents	$ 50,350	$ —	$ —	$ —
Receivables, Net of Allowances for Uncollectibles				
Department Accounts	8,866,439	44,824,396	420,480	535,627,253
Due from Other Funds	2,049,222	1,241,324	621,926	11,197,067
Total Assets	$10,966,011	$46,065,720	$1,042,406	$546,824,320
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable and Accruals	$ 4,062,144	$13,392,439	$ —	$ 48,564,993
Deferred Revenue	3,287,568	27,000	—	—
Due to Other Funds	—	—	—	349,301,368
Other	—	—	—	143,000,714
Total Liabilities	$ 7,349,712	$13,419,439	$ —	$540,867,075
Fund Balances				
Committed	3,616,299	32,646,281	1,042,406	5,957,245
Total Fund Balances	$ 3,616,299	$32,646,281	$1,042,406	$ 5,957,245
Total Liabilities and Fund Balances	$10,966,011	$46,065,720	$1,042,406	$546,824,320

(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, 2013. As of June 30, 2012, the total amount of such bonded indebtedness outstanding was $2,384,665,000. 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	$ 115,945,000	$ 655,000
State Land Acquisition and Development	1978	2022	200,000,000	—	199,165,000	835,000
Natural Resources	1980	2023	145,000,000	9,600,000	130,800,000	4,600,000
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	152,000,000	10,000,000
Green Acres, Cultural Centers and Historic Preservation	1987	2022	100,000,000	1,000,000	95,200,000	3,800,000
Jobs, Education & Competitiveness	1988	2015	350,000,000	—	349,220,000	780,000
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	119,110,000	890,000
Stormwater Management and Combined Sewer Overflow Abatement	1989	2033	50,000,000	9,500,000	32,570,000	7,930,000
New Jersey Green Acres, Clean Water, Farmland & Historic Preservation	1992	2023	345,000,000	12,880,000	320,860,000	11,260,000
Developmental Disabilities Waiting List Reduction and Human Services Facilities Construction	1994	2023	160,000,000	—	154,090,000	5,910,000
Green Acres, Farmland and Historic Preservation, and Blue Acres	1995	2033	340,000,000	18,000,000	307,895,000	14,105,000
Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development	1996	2033	300,000,000	87,500,000	138,035,000	74,465,000
Statewide Transportation and Local Bridge	1999	2023	500,000,000	—	464,540,000	35,460,000
Dam, Lake, Stream, Flood Control, Water Resources, and Wastewater Treatment Project	2003	2033	200,000,000	38,750,000	92,605,000	68,645,000
Green Acres, Farmland, Blue Acres, and Historic Preservation	2007	2033	200,000,000	27,500,000	81,320,000	91,180,000
Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation	2009	2033	400,000,000	230,500,000	—	169,500,000
Building Our Future	2012	2033	750,000,000	650,000,000	—	100,000,000
Refunding (2)	1985	2023	6,134,329,598	—	4,344,529,598	1,789,800,000
Totals			$11,584,329,598	$1,293,230,000	$7,890,189,598	$2,400,910,000

(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, 2013.

Fiscal Year	Principal	Interest	Total
2014	$ 243,445,000	$111,822,468	$ 355,267,468
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	$2,400,910,000	$590,386,312	$2,991,296,312

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, 2013, the State Treasurer adopted a resolution authorizing the issuance of TRANs for Fiscal Year 2014. Pursuant thereto, on July 1, 2013, the State Treasurer entered into a Note Purchase Contract with Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") under which TRANs may be issued to and purchased by Merrill Lynch, in one or more series, from time to time, in an amount not to exceed $2,500,000,000. The resolution also authorizes the State Treasurer to issue additional TRANs beyond those issued to Merrill Lynch, with no limitation on such amount.

Pursuant to the terms of the Note Purchase Contract, the State issued its TRANs Series Fiscal 2014A to and which were purchased by Merrill Lynch on July 2, 2013 in the amount of $1,500,000,000. The State issued its TRANs Series Fiscal 2014B to and which were purchased by Merrill Lynch on July 31, 2013 in the amount of $600,000,000. The State expects to issue additional TRANs in Fiscal Year 2014.

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 such appropriations, 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 System" 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 2014. 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.

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, 2013 and the estimated Fiscal Year 2014 debt service on such obligations. The second table depicts the aggregate estimated future debt service as of June 30, 2013 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 2012 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.

SUMMARY OF OBLIGATIONS SUBJECT TO ANNUAL APPROPRIATION AS OF JUNE 30, 2013

Issuer	Type of Agreement	Principal Amount Outstanding(1)	Fiscal Year 2014 Debt Service(2)
Garden State Preservation Trust	Contract	$ 992,664,410	$ 97,637,861
New Jersey Building Authority	Lease	518,525,000	108,583,359
New Jersey Economic Development Authority			
Economic Recovery Fund	Contract	139,937,727	25,604,763
Liberty State Park — Park Projects	Lease	11,105,000	1,447,183
Liberty State Park — Science Center Projects	Lease	79,265,000	7,348,169
New Jersey Performing Arts Center	Lease	15,455,000	5,562,940
State Pension Funding	Contract	2,378,939,686	316,709,677
Department of Human Services Programs	Service Contract	16,030,000	2,649,123
New Jersey Transit Light Rail System	Lease	253,225,000	52,370,205
State Office Buildings Projects	Lease	30,405,000	5,259,350
School Facilities Construction	Contract	8,696,564,000	480,745,242
Municipal Rehabilitation	Contract	143,140,000	14,111,243
Motor Vehicle Commission	Contract	106,497,988	73,325,000
Business Employment Incentive Program	Contract	70,355,000	27,915,526
Designated Industries Economic Growth and Development	Contract	2,745,000	2,887,740
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	938,205,000	91,994,750
Lafayette Yard Hotel Project	Lease	13,250,000	2,012,978
State Police Barracks Project	Lease	7,470,000	953,219
New Jersey Educational Facilities Authority			
Capital Improvement Fund	Contract	358,095,000	43,882,738
Dormitory Safety Trust Fund	Contract	17,605,000	6,488,966
Public Library Project Grant Program	Contract	29,220,000	3,763,200
New Jersey Health Care Facilities Financing Authority			
Greystone Park Psychiatric Hospital Project	Contract	210,840,000	8,988,310
Hospital Asset Transformation Program	Contract	427,855,000	31,036,120
Marlboro Psychiatric Hospital Project	Contract	73,530,000	2,725,431
New Jersey Sports and Exposition Authority (3)	Contract	486,830,000	70,849,235
New Jersey Transportation Trust Fund Authority			
Transportation System Bonds	Contract	13,429,810,716	967,385,439
Transportation Program Bonds	Contract	920,745,000	64,460,325
State of New Jersey Certificates of Participation			
James J. Howard Marine Science Laboratory	Lease	1,085,000	1,133,825
New Jersey Transit, Transportation Equipment	Lease	738,630,000	104,707,381
State-Supported County College Bonds	Statutory	207,785,516	34,249,997
State Equipment Line of Credit	Lease	91,821,009	30,731,806
TOTALS		$32,393,911,605	$2,729,656,330

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

(2) For variable rate bonds, interest amounts were calculated using the rates in effect on June 30, 2013. (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION — Variable Rate Bonds" herein).

(3) Amounts do not include contingent State contract bond obligations in connection with certain Standby Deficiency Agreements. See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION — New Jersey Sports and Exposition Authority" herein for a description of such contingent obligations.

ESTIMATED FUTURE DEBT SERVICE SUBJECT TO APPROPRIATION
AS OF JUNE 30, 2013

Fiscal Year	Principal(1)	Estimated Interest(1)(2)	Total
2014(3)	$ 1,096,340,823	$ 1,633,315,507	$ 2,729,656,330
2015(4)	1,532,894,069	1,587,779,118	3,120,673,188
2016(5)	1,731,838,338	1,514,447,631	3,246,285,970
2017(6)	1,775,258,023	1,488,722,819	3,263,980,842
2018(7)	2,000,822,482	1,444,777,018	3,445,599,500
2019	1,697,347,856	1,416,554,956	3,113,902,812
2020	1,540,320,681	1,381,090,819	2,921,411,500
2021	1,540,320,033	1,297,526,315	2,837,846,348
2022	1,508,838,064	1,256,093,307	2,764,931,371
2023	1,551,503,695	1,188,907,685	2,740,411,380
2024	1,501,208,097	1,126,445,359	2,627,653,456
2025	1,412,285,701	1,198,337,816	2,610,623,518
2026(8)	1,632,408,264	975,012,386	2,607,420,651
2027	1,673,219,055	845,302,714	2,518,521,768
2028(9)	1,915,206,994	759,425,200	2,674,632,193
2029	1,430,530,214	712,395,019	2,142,925,232
2030	718,734,162	584,147,707	1,302,881,869
2031	569,329,239	565,193,270	1,134,522,509
2032	559,489,382	552,591,464	1,112,080,846
2033	584,174,086	514,221,048	1,098,395,134
2034	659,061,831	491,551,688	1,150,613,519
2035	646,259,809	466,722,300	1,112,982,109
2036	493,944,570	560,193,176	1,054,137,747
2037	466,109,324	520,187,482	986,296,806
2038	413,306,526	528,549,468	941,855,994
2039	342,708,420	599,551,092	942,259,513
2040	525,850,782	479,069,830	1,004,920,613
2041	714,886,082	167,336,593	882,222,675
2042	159,715,000	7,985,750	167,700,750
	$32,393,911,605	$25,863,434,536	$58,257,346,141

(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 bonds, interest amounts were calculated using the rates in effect on June 30, 2013. (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION — Variable Rate Bonds" herein).

(3) The principal amount includes $20,000,000 State Building Revenue Bond Anticipation Notes, 2012 Series that mature December 18, 2013. It is anticipated that these Notes will be refunded prior to their maturity. Interest on the Notes is included in this table.

(4) 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.

(5) The principal amount includes $242,495,000 School Facilities Construction Notes, 2011 Series E that mature February 1, 2016. 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 $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.

(7) 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.

(8) 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.

(9) 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 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") has been 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 contracts between the NJEFA and the State Treasurer subject to appropriation by the State Legislature.

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.

In connection with the Atlantic City Convention Center Structured Lease Financing, the NJSEA issued its State Contract Bonds, Series B Standby Deficiency Agreement Series of 2001, Equity Termination Value Standby Deficiency Agreement Series of 2010 and Swap Payment Standby Deficiency Agreement Series of 2001, in the maximum amount payable as to principal and interest of $100 million. These Standby Deficiency

Bonds also constitute additional bonds under the general resolution for this program, but are contingent obligations and no amounts are currently outstanding nor is it expected that the NJSEA will be required to make payments.

The Standby Deficiency Bonds are supported by a letter of credit from The Bank of New York Mellon, which expires in December 2014. The reimbursement obligation to The Bank of New York Mellon under the Letter of Credit and Reimbursement Agreement is secured by a State Contract Bond Equity Termination Value Standby Deficiency Agreement Series of 2010 in the maximum amount of $73,307,206.98.

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.

Pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, as amended (the "TTFA Act"), the principal amount of the TTFA's bonds, notes or other obligations which could be issued in any fiscal year commencing with the fiscal year beginning July 1, 2006 and ending with the fiscal year beginning on July 1, 2010, generally could not exceed $1,600,000,000 in any fiscal year, as such amount was required to be reduced in each of those fiscal years by the amount by which the appropriation of State funds to the Transportation Trust Fund Account for that fiscal year exceeded $895,000,000; provided, however, that if a portion of that permitted amount of debt, less any reduction as provided above, was not incurred in a fiscal year, an amount not greater than the unused portion may be incurred in a subsequent fiscal year in addition to the amount otherwise permitted. As of June 30, 2013, such unused statutory bond cap was exhausted.

On June 29, 2012, the TTFA Act was 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, 2013, the independent State authorities shown below had in aggregate $447,875,000 of variable rate demand bonds outstanding, with interest rates that reset daily or 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.

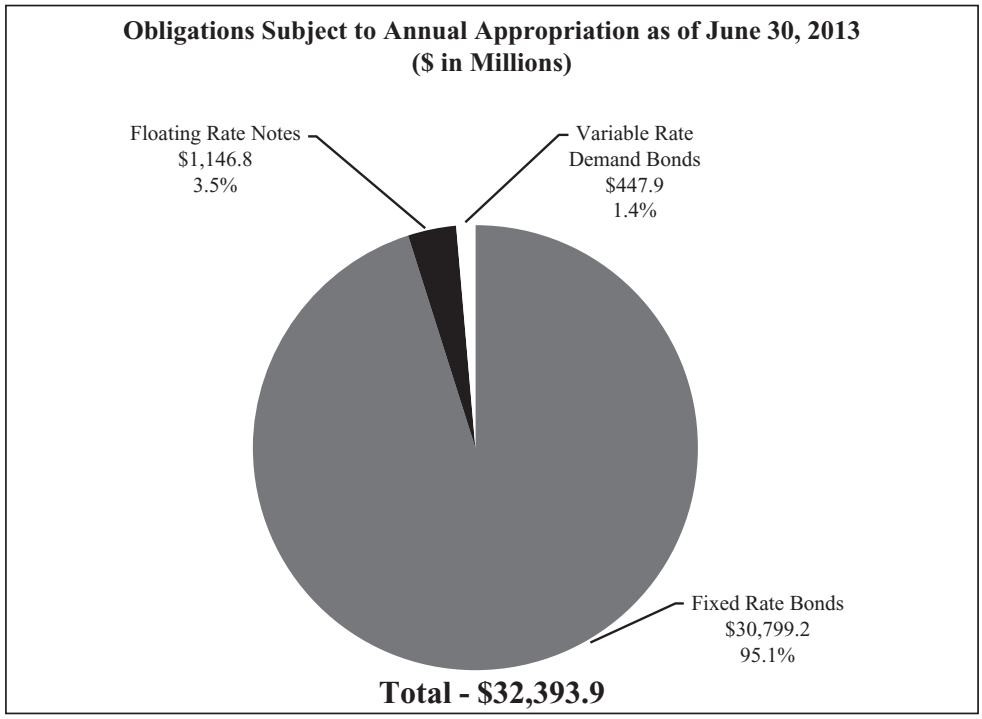
Additionally, as of June 30, 2013, the NJEDA had outstanding $1,146,750,000 of floating rate notes, which bear interest at a rate that resets quarterly, monthly, or weekly based on either the London InterBank Offering Rate ("LIBOR") plus a fixed spread or the Securities Industry and Financial Markets 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 bonds outstanding as of June 30, 2013.

SUMMARY OF VARIABLE RATE OBLIGATIONS
AS OF JUNE 30, 2013

Issuer	Series	Type-Reset Period	Amount Outstanding ($) as of 06/30/13	Index Rate (if applicable)	Interest Rate (%) as of 06/30/13	Letter of Credit Bank
NJBA	2003 Series A-1	VRDB-Weekly	$ 45,025,000	n/a	0.05%	Barclays
	2003 Series A-2	VRDB-Weekly	45,150,000	n/a	0.05%	Barclays
	2003 Series A-3	VRDB-Weekly	30,100,000	n/a	0.05%	Barclays
	2003 Series A-4	VRDB-Weekly	30,100,000	n/a	0.05%	Barclays
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%	1.936%	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%	2.036%	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	0.05%	Wells Fargo
	2009 Series D	VRDB-Weekly	147,500,000	n/a	0.06%	Wells Fargo
		Total	$1,594,625,000			

The following table provides a summary, by type, of the State's subject to appropriation bonds and notes as of June 30, 2013.



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.

Various independent State authorities have outstanding swap agreements with nine different counterparties. The following table sets forth for each swap agreement: the issuer, counterparty, outstanding notional amount, effective date, termination date, fixed rate and floating index as of June 30, 2013.

State of New Jersey
Interest Rate Swap Agreement Summary
As of June 30, 2013

Bond Issuer	Counterparty	Outstanding Notional Amount	Effective Date	Termination Date	Fixed Rate	Floating Index
NJBA						
	Citibank, N.A., New York	$ 63,160,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Citibank, N.A., New York	27,065,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	21,045,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	9,030,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Morgan Stanley Capital Services, Inc.	21,045,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Morgan Stanley Capital Services, Inc.	9,030,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
		$ 150,375,000				

Bond Issuer	Counterparty	Outstanding Notional Amount	Amended Effective Date	Amended Termination Date	Fixed Rate	Floating Index
NJEDA (School Facilities Construction Bonds)						
	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				
	Totals	**$1,297,126,963**				

As of June 30, 2013, the aggregate mark-to-market value of the swap agreements is negative, indicating that the independent State authorities have 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 independent State authority and at such time the independent State authority 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 independent State authority'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 independent State authority to one or more counterparties.

The various independent State authorities are 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 independent State authority would be required to make a termination payment in the amount of the negative mark to market. At June 30, 2013, the aggregate negative mark-to-market on the swaps listed in the above table was $337.4 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, 2013.

	Principal Amount Outstanding	Fiscal Year 2014 Debt Service
New Jersey Housing and Mortgage Finance Agency	$ 21,135,000	$ 4,544,096
South Jersey Port Corporation	271,475,000	20,732,886
Higher Education Student Assistance Authority	2,486,155,000	280,860,000
	$2,778,765,000	$306,136,982

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
2009	$ 7,459,997
2010	11,534,236
2011	7,013,289
2012	19,847,053
2013	18,972,976

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. Employees on the payroll as of July 1, 2011 and who are not eligible for an increment in Fiscal Year 2012 and Fiscal Year 2013 will receive a one-time cash bonus of $450 on or about July 1, 2013, which will not be included in such employees' base salary. Also, any employee making over $55,000 is no longer eligible to receive a clothing allowance (subject to certain exceptions) or shift differential based on criteria set forth in the successor agreement. The annual clothing allowance payment was decreased from $700 to $550.

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. Employees on the payroll as of July 1, 2011 and who are not eligible for an increment in Fiscal Year 2012 and Fiscal Year 2013 will receive a one-time cash bonus of $450, which will not be included in such employees' base salary. Also, any employee making over $100,000 is no longer eligible to receive a clothing allowance (subject to certain exceptions) or shift differential based on criteria set forth in the successor agreement. The CWA units agreed to delete other monetary items from the successor agreement in exchange for a higher limitation on clothing allowance and shift differential. Specifically, the CWA units agreed to a deletion of a bonus to employees at a lower salary level. In addition, with regard to the clothing allowance, the CWA units agreed that in each of the four years of the successor agreement the application of new criteria for eligibility of clothing allowance would result in at least a twenty (20%) percent reduction in the number of employees who received an allowance in the final year of the parties' Fiscal Years 2007-2011 agreement. The annual clothing allowance payment was decreased from $700 to $550.

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. Employees on the payroll as of July 1, 2011 and who are not eligible for an increment in Fiscal Year 2012 and Fiscal Year 2013 will receive a one-time cash bonus of $450 on or about July 1, 2013, which will not be included in such employees' base salary. Also, any employee making over $55,000 is no longer eligible to receive a clothing allowance (subject to certain exceptions) or shift differential based on criteria set forth in the successor agreement. The annual clothing allowance payment was decreased from $700 to $550. This contract also contains a provision that no step increments shall be paid after June 30, 2015.

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. There is a one-time payment of $800 in Fiscal Year 2013, not added to base salary, to employees who were at the top step (step 10) as of May 31, 2012. These employees do not receive a step increment since they are at the top step (step 10) of the guide. There is a new salary scale for Corrections officers (Recruits) entering the academy on or after July 1, 2012. When such Corrections officers (Recruits) finish their one year probationary period they will be placed on step 1 of the new guide at $44,039, which was decreased from $55,842. Step 10, in the new scale, is the same as step 10 of the scale for Corrections officers entering the academy prior to July 1, 2012. However, there are significant savings achieved by spreading out the step increases over the nearly twelve years it takes to reach step 10. The Parole Officers, who are represented by PBA 105, will no longer receive the annual $1,535 uniform allowance. This allowance is reduced to zero in the new agreement.

The State has reached a tentative agreement for 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. There is a one-time payment of $800 in Fiscal Year 2015, not added to base salary, to employees in the title of Principal Investigator who are at the top step (step 10) of the salary guide as of June 30, 2014. These employees do not receive a step increment since they are at the top step (step 10) of the

guide. The uniform allowance payment for unit employees in the Department of Corrections remains at $700 for the life of the contract. The uniform allowance in the Juvenile Justice Commission was decreased from $700 to $350. No allowance will be paid to employees who are not required to wear a uniform for work.

The State is negotiating an initial contract with IBEW Local 33, which represents DAsG in the Division of Law and the Division of Alcohol and Beverage Control.

The State is negotiating an initial contract with IBEW Local 30, State Government Managers Unit, which represents Managers in the Executive Branch.

The State is currently in negotiation with its Law Enforcement units which include: the New Jersey Policemen Benevolent Associations State Law Enforcement Unit ("SLEU"), New Jersey Law Enforcement Supervisors Association ("NJLESA") and the New Jersey Superior Officers Law Enforcement Association ("NJLESOA"). These groups represent approximately 1,150 employees. The State interest arbitration with New Jersey Law Enforcement Commanding Officers Association ("NJLECOA") representing Corrections Majors was dismissed by the Public Employer Relations Commission on September 6, 2012. The State is currently in negotiations with NJLECOA for the successor contract to the one that expired on June 30, 2011. NJLECOA represents approximately 50 members.

The State is currently in interest arbitration with the Chiefs subunit of NJLECOA. As of December 3, 2011, that subunit represented approximately six members in the title of Director of Custody Operations ("DOCOs/ Chiefs"). The Civil Service Commission eliminated that title in the Department of Corrections, along with the title of Corrections Captain, and created the title of Corrections Major effective December 4, 2011. That title became part of the existing NJLECOA unit and the existing Corrections DOCOs and Corrections Captains became Corrections Majors. Accordingly, the pending interest arbitration is limited to the period starting October 9, 2009 through December 4, 2011. After December 4, 2011, as no DOCOs remained, the subunit no longer exists.

The State is in mediation with the State Investigators Unit represented by FOP Lodge 91, rank and file unit, the State Investigators Unit represented by the N.J. Division of Criminal Justice Non-Commissioned Officers Association, and the State Investigators Unit 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.

Unless otherwise mentioned, the agreements reached by the State, as discussed herein, include the continuation of step increment payments.

FUNDING PENSION PLANS

General. 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. The State operates seven defined benefit pension plans (collectively, the "Pension Plans"). Listed in order of active membership based on the most recent actuarial valuation reports dated July 1, 2012, the Pension Plans and their active and retired membership are as follows:

	Membership at June 30, 2012	
Plan	**Active**	**Retired**
Public Employees' Retirement System ("PERS")	280,158	153,625
Teachers' Pension and Annuity Fund ("TPAF")	150,200	89,700
Police and Firemen's Retirement System ("PFRS")	40,819	39,767
State Police Retirement System ("SPRS")	2,721	3,030
Judicial Retirement System ("JRS")	407	538
Consolidated Police and Firemen's Pension Fund ("CP&FPF")	0	241
Prison Officers' Pension Fund ("POPF")	0	135
Total:	474,305	287,036

From June 30, 2007 to June 30, 2012, the total number of active members of all of the State-administered plans decreased by 48,595 or 9.3% and the total number of retired members increased by 47,713 or 20.0%.

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, 2012, those members of the PERS and PFRS for which the State is responsible for making contributions were, with respect to PERS, 84,910 active members and 49,341 retired members and, with respect to PFRS, 7,187 active members and 5,436 retired members.

Although PERS and PFRS segregate the active and retired members of the State and the local governments, under certain State statutes, the State is responsible for making certain contributions to PFRS and PERS on behalf of local employers. With respect to PERS, the normal cost portion of the actuarially recommended contribution relating to the retirement benefit increase provided to the local governmental members of PERS under L. 2001, c. 133 ("Chapter 133"), which is valued at $46.7 million as of the July 1, 2012 PERS actuarial valuation, continues to be charged against the Benefit Enhancement Fund that was established for the local governmental employer component of PERS. The PERS actuarial valuation as of June 30, 2012 valued the Benefit Enhancement Fund in the local governmental portion of PERS at approximately $259.1 million. Although local governmental employers participating in the PERS are, for the most part, responsible for funding the normal cost and the unfunded actuarial accrued liability relating to the local governmental members of PERS, Chapter 133 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, 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. Since the establishment of the Benefit Enhancement Fund in 2002, no amounts have been credited to the Fund other than investment earnings. However, as of the July 1, 2012 PERS actuarial valuation, the level of assets in the Benefit Enhancement Fund continue to be sufficient to meet this obligation. 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 Fiscal Year 2014 Appropriations Act includes a recommended contribution to the PFRS of $170.6 million, of which $73.2 million represents funding for local participant enhanced benefits. For Fiscal Years 2013 and 2012, the State contributed $112.5 million and $53.6 million, respectively, of which $48.9 million in Fiscal Year 2013 and $23.8 million in Fiscal Year 2012 was applied toward funding for enhanced benefits for local PFRS participants. Funding for PFRS enhanced benefits is increasing and is expected to continue to increase as a result of the State making phased-in contributions to the

Pension Plans over a seven year period beginning in Fiscal Year 2012 under the provisions of L. 2010, c.1 ("Chapter 1"). See "FUNDING PENSION PLANS—*Current and Historical Contributions and Funding Status*", herein.

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.

Required Actuarial Valuations. State law regulates the administration of the Pension Plans. 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 deemed incorporated herein by reference.

The purpose of an actuarial valuation is to calculate the actuarial accrued liability in each of the Pension Plans, which estimates on the basis of demographic and economic assumptions the present value of benefits each of the Pension Plans will pay to its retired members and active members upon retirement. The State contracts with the independent actuaries to provide annual actuarial valuations for each of the Pension Plans performed in accordance with State statutes and generally recognized and accepted actuarial principles and practices. 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 Standards Board Statements No. 25 and 27 for purposes of meeting annual financial disclosure requirements. As is discussed below, the actual amounts that the State contributes to the Pension Plans each Fiscal Year are subject to annual appropriation by the State Legislature and 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 6-8 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, 2011 are applicable to the Fiscal Year ended June 30, 2013. See "FUNDING PENSION PLANS—*Current and Historical Contributions and Funding Status*" herein.

To calculate the actuarial value of assets and actuarial accrued liability of each of the Pension Plans, the actuarial valuations use several actuarial assumptions. The expected rate of return on assets used by the actuaries is established by the State Treasurer and the other assumptions, including assumed inflation rates and future pay increases, are approved by the applicable Pension Plan boards. Other assumptions used in the actuarial valuations include the age of retirement of active members, assumed rates of disability and post-employment life expectances of retirees and beneficiaries. 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 State's financial burden of its obligations 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 the Pension Plans' respective historical experiences. Changes recommended by the actuaries are reviewed and considered for implementation by the appropriate Pension Board.

The July 1, 2012 actuarial valuation reflects changes to two key assumptions. The State Treasurer changed the current assumption regarding the assumed rate of return from 7.95% to 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 assumption. This marks the second consecutive year the State has lowered the assumed rate of return. Last year, the State lowered the assumed rate of return from 8.25% to 7.95%.

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 investment portfolio of the Pension Plans can be highly volatile. 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 Years 2010 and 2011, the investment rate of return was 13.36% and 18.03% (excluding returns on PFRS mortgages for PFRS members), respectively, which had a positive impact on the overall UAAL of the Pension Plans. The investment rate of return for Fiscal Year 2012 was 2.52% (excluding returns on PFRS mortgages to PFRS members), which was below the assumed rate of return of 7.95% and caused the UAAL of the Pension Plans to increase. On a preliminary basis the annualized rate of return for Fiscal Year 2013 is in the 11-12% range and is subject to change. Annualized returns for the three-, five- and ten-year periods ending June 30, 2012 were 11.11%, 2.46% and 6.42%, respectively. The Division of Investment of the New Jersey Department of the Treasury, which is under the independent supervision of the State Investment Council, invests the assets of the Pension Plans. State law regulates the types of investments which are permitted.

For the second consecutive year, the assumption for future pay increases was also reduced. Last year, effective with the July 1, 2011 actuarial valuations, the assumed salary increase was reduced by an average of 2 percentage points for a five year period and 0.75 percentage points thereafter. This has been revised, effective with the July 1, 2012 actuarial valuations, to a 2 percentage point reduction for a ten year period beginning July 1, 2011 and a 1 percentage point reduction thereafter in PERS, PFRS, SPRS and JRS. In TPAF, effective with the July 1, 2012 actuarial valuations, there was a reduction in the assumption for future pay increases of 0.4 percentage points through June 30, 2016 which increased the reduction from 2 percentage points to 2.4 percentage points, no change over the next five years ending June 30, 2021 leaving the reduction at 1 percentage point, and an average reduction of 0.65 percentage points for the years after June 30, 2021 which increased the reduction from 0.75 percentage points to 1.4 percentage points.

The assumed rate of return of the Pension Plans is analyzed together with the salary growth assumption and the actual impact that changes in those two assumptions on the UAAL is the net change of both of these assumptions. Thus, although the reduction in the assumed rate of return caused the UAAL of the Pension Plans to increase, the reduction in the salary growth assumption had the opposite effect and caused the UAAL to decrease, and the net impact of the two assumption changes on the State's portion of the UAAL was minimal.

In addition, 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. For example, the Pension Plans use an asset valuation method of smoothing gains and losses in the market value of their assets over a five-year period to prevent extreme fluctuations that may result from temporary or cyclical economic and market conditions. As of June 30, 2012, the aggregate market value of all of the assets of the Pension Plans, as determined by the Pension Plans' actuaries, was approximately $74.4 billion, which amount includes contribution receivables from the State and local governmental employers. To the extent these receivables do not materialize, adjustments will be made by the actuaries in the next year's valuations. As of June 30, 2012, the aggregate actuarial value of all assets of the Pension Plans was $85.9 billion. Based on these figures, the Pension Plans have a net unsmoothed loss of approximately $11.5 billion, which is the difference between the market value of their assets and the actuarial value of their assets which is calculated using the smoothing method.

Effective with the July 1, 2010 actuarial valuation, 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. For a discussion of the impact of this, see "FUNDING PENSION PLANS—*Pension and Health Benefit Reform"* herein.

Contributions. The State's annual 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 State's annual contribution to the Pension Plans is contingent upon the enactment of the annual Appropriations Act and in the past the State Legislature has not funded the full actuarially recommended contribution to the Pension Plans. However, as described in more detail below, Chapter 1, as discussed above, established a seven year phase-in of the State's contribution and L.2011, c.78 (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 being made by the State and local participating employer. See "FUNDING PENSION PLANS—*Pension and Health Benefit Reform*" herein.

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.

Benefits. 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. This is in accordance with legislation enacted by the State Legislature in 2001 which increased the retirement benefits under PERS and TPAF by changing the retirement benefit formula from 1/60 to 1/55 of final average compensation for each year of service. 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. Also available to such participants are an early retirement benefit after 25 years of service or if enrolled on or after June 28, 2011, 30 years of service, and a veteran's retirement benefit after 20 and 25 years of service, if age requirements for those retirement benefits are met. To qualify for full benefits under early retirement the member must be at least age 55 if enrolled before June 28, 2011. If the member is under age 55 an early retirement penalty applies. If the member enrolled on or after June 28, 2011 the member 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. In accordance with the 2011 Pension and Health Benefit Reform Legislation, the pension adjustment program, which provides for an adjustment in retirement benefits after a participant in one of the Pension Plans has been retired for two years, has been suspended for all current and future retirees effective July 1, 2011. Under the suspension, retirees are no longer entitled to future cost-of-living

increases. However, cost-of-living benefits earned prior to the suspension continue to be paid. The pension adjustment program may be reactivated at a future date as specified in the statute (see "FUNDING PENSION PLANS—*Pension and Health Benefit Reform"* herein). The pension adjustment program is non-contributory and covers all eligible retirees and survivors of the Pension Plans. Prior to the suspension of pension adjustment benefits, eligible retirees received a cost-of-living adjustment based on 60.0% of the change in the Consumer Price Index from the year of retirement to the year immediately preceding the year of adjustment with no cap on the amount of such increase. In all Pension Plans, except CP&FPF and POPF, the Pension Plans directly fund the cost-of-living benefits and these cost-of-living benefits are included in the actuarial accrued liability of the Pension Plans. The State funds cost-of-living benefits in the CP&FPF and POPF on a "pay-as-you-go" basis.

Prior Legislative Changes Affecting Benefit Levels. The State Legislature has in the past adopted laws that increased the retirement benefits payable by the Pension Plans. The result of these increases in retirement benefits was to increase the actuarial accrued liability of the affected Pension Plans which also had the effect of increasing the actuarially recommended contributions for the State for the affected Pension Plans.

In addition, the State Legislature has in the past adopted laws that limited future retirement benefits payable by the Pension Plans. These laws are expected to limit the future growth of the actuarial accrued liability of the affected Pension Plans which also has the effect of limiting the growth of the actuarially recommended contributions for the State for the affected Pension Plans in future plan years. See "FUNDING PENSION PLANS—*Pension and Health Benefit Reform"* herein for a description of the changes enacted under the 2011 Pension and Health Benefit Reform Legislation.

The State Legislature also adopted laws in Fiscal Year 2010 affecting PERS and TPAF members enrolling on or after May 22, 2010 which limits membership in the Pension Plan to only full-time employees and changes the retirement benefit formula back to 1/60 of final average compensation for each year of service credit. The State Legislature also adopted a law in Fiscal Year 2009 which raised the minimum annual salary required to establish eligibility for membership under certain Pension Plans and increased the retirement age at which full pension benefits are payable from 60 to 62 for certain employees hired on or after November 2, 2008. The State Legislature also adopted laws in Fiscal Year 2007 which raised the employee contribution rate for PERS and TPAF active members from 5.0% to 5.5%, raised the early retirement age at which full retirement benefits are payable from 55 to 60 for new employees enrolled in the PERS and TPAF on or after July 1, 2007, and provides that new employees hired on or after July 1, 2007 are subject to a maximum compensation limit for PERS and TPAF pension contributions.

Calculations of actuarial accrued liability reflect legislation in effect at the time calculations are made. Legislation enacted after any such calculation could significantly increase or decrease the actuarial accrued liability reflected in any such calculations.

Pension and Health Benefit Reform. On June 28, 2011, the 2011 Pension and Health Benefit Reform Legislation was enacted that over the long-term is expected to improve the overall financial condition of the Pension Plans, raise the funded ratios of the Pension Plans to more financially sound levels, lower future actuarially recommended contributions from levels which likely would have been required without the 2011 Pension and Health Benefit Reform Legislation and reduce the unfunded actuarial accrued liability of the Pension Plans. See "FUNDING PENSION PLANS—*Impact of Pension Reforms on Overall Financial Condition of the Pension Plans*" herein. 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 pension adjustment 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 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 pension reforms also include the establishment of new pension committees for the Pension Plans as follows: two new committees each in PERS and PFRS, one for the State part of the Pension Plan and one for the local part of the Pension Plan and one new committee each in TPAF and SPRS. These six new committees will have the discretionary authority when targeted funded ratios are achieved to modify the member contribution rate, formula for calculation of final compensation or final salary, fraction used to calculate a retirement allowance, and 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 targeted funded ratios are reached. However, no decision of the Pension Committees (or the State House Commission for the JRS) can be implemented if the direct or indirect result of the decision causes the funded ratio of the applicable Pension Plan to fall below the "targeted funded ratio", as defined below, in any valuation period during the 30 years following the implementation of the decision as determined by the actuary for the applicable Pension Plan. 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. As of the July 1, 2012 actuarial valuations, none of the State-funded Pension Plans has a funded ratio above the target funded ratio. The SPRS reached the target funded ratio as of the July 1, 2011 actuarial valuation; however, it fell below the target funded ratio as of the most recent July 1, 2012 valuation. On the local government side, the PFRS-Local has a funded ratio above the target funded ratio as of the July 1, 2012 actuarial valuation. The PERS-Local reached the target funded ratio as of the July 1, 2011 actuarial valuation. However, it fell below the target funded ratio as of the most recent July 1, 2012 valuation. The pension committees for these three Pension Plans have been formed. The pension committees for PERS-State, TPAF and PFRS-State will be formed when the target funded ratio is reached in these Pension Plans.

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. Previously, the UAAL was amortized over a 30-year period as a level percent of pay. When a UAAL is amortized on a level percentage of pay, the amortized portion of the UAAL is less in the earlier years of the assumed amortization schedule because payroll costs are assumed to increase over time. By changing the amortization of the UAAL to a level dollar amount, this will mean the assumed amortization schedule will be stable over the whole period, but it will also likely increase the amount of the State's actuarially recommended contributions in the earlier years.

Current and Historical Contributions and Funding Status. 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. Beginning with the actuarial valuations of the Pension Plans as of June 30, 2002, several of the Pension Plans (including PERS and TPAF) suffered from adverse market conditions and the Funded Ratio of these Pension Plans declined rapidly. As a result, the actuarial recommended contributions in those actuarial valuations increased and the State did not appropriate the actuarially recommended contributions. For Fiscal Years 2004, 2005, 2006, 2007 and 2008, the State paid approximately 20.0%, 30.0%, 40.0%, 57.5%, and 50.1%, respectively, of the total actuarially recommended contributions of all of the Pension Plans.

However, for PERS and TPAF, the annual Appropriations Acts for Fiscal Years 2004, 2005 and 2006 authorized the use of the Benefit Enhancement Fund (the "State BEF") to offset the State's contribution to PERS and TPAF for those years. The State BEF is a special reserve fund within PERS and TPAF, and the assets are included in the actuarial value of assets. The required normal contributions to provide retirement benefit increases under L 2001, Chapter 353 and Chapter 133 were charged against the State BEF. The fund was established in Fiscal Year 2002 and credited with excess assets equivalent to member contributions for Fiscal

Years 2000 and 2001 by transferring reserves in the Contingent Reserve Fund to the State BEF. Amounts in the State BEF for each of PERS and TPAF were calculated within the respective actuarial value of assets and the related retirement benefits were calculated within the respective actuarial accrued liabilities. Therefore, because the State used amounts from the State BEF to satisfy its contributions in Fiscal Years 2004 through 2006, from an actuarial perspective, the State did not contribute any funds to PERS or TPAF in Fiscal Years 2004 and 2005 and the State contributed minimal amounts in Fiscal Year 2006. Amounts in the State BEF available to be used to make the State contributions became fully depleted in Fiscal Year 2006 and the State made a contribution to PERS and TPAF representing approximately 57.5% of the actuarially recommended contributions of those Pension Plans for Fiscal Year 2007 and approximately 50% of the actuarially recommended contributions for Fiscal Year 2008.

For Fiscal Year 2009, although $1.047 billion was included in the Fiscal Year 2009 Appropriations Act as the State's pension contribution to the Pension Plans, the actual contribution made by the State was $106.3 million representing only 4.8% of the total actuarially recommended contribution to the Pension Plans of $2.231 billion. This contribution, which was due on June 30, 2009, was paid by the State on September 14, 2009. For Fiscal Year 2010, although $100 million was included in the Fiscal Year 2010 Appropriations Act as the State's contribution to the Pension Plans, the State did not make a contribution due to ongoing budgetary constraints. The $100 million contribution originally expected to be made for Fiscal Year 2010 represented only 4% of the total actuarially recommended contribution for the State to the Pension Plans of $2.519 billion. The State made no contribution to the Pension Plans in Fiscal Year 2011. The recommended contribution as determined by the actuaries for the Pension Plans for Fiscal Year 2011 was $3.060 billion.

In accordance with Chapter 1, the State has resumed making the actuarially recommended contributions to the Pension Plans on a gradual basis over a period of seven years beginning with Fiscal Year 2012. For Fiscal Year 2012, pursuant to Chapter 1 and as provided in the Fiscal Year 2012 Appropriations Act, the State made a pension contribution of $484.5 million to the Pension Plans, representing 1/7th of the full actuarially recommended contribution of $3.391 billion determined on the basis of the revised July 1, 2010 valuations. For Fiscal Year 2013, pursuant to Chapter 1 and as provided in the Fiscal Year 2013 Appropriations Act, the State made a contribution of $1.029 billion which represents 2/7th of the full actuarially recommended contribution for PERS, TPAF, PFRS, SPRS and JRS and the full actuarially recommended contribution for CP&FPF. The full recommended contribution of all Pension Plans for Fiscal Year 2013 was $3.600 billion determined on the basis of the July 1, 2011 actuarial valuations. For Fiscal Year 2014, pursuant to Chapter 1 and as provided in the Fiscal Year 2014 Appropriations Act, the State is expected to make a contribution of $1.676 billion which represents 3/7th of the full actuarially recommended contribution for PERS, TPAF, PFRS, SPRS and JRS and the full recommended contribution for CP&FPF. The full recommended contribution of all Pension Plans for Fiscal Year 2014 determined on the basis of the July 1, 2012 actuarial valuations is $3.909 billion. In each subsequent fiscal year, Chapter 1 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. 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. See "FUNDING PENSION PLANS—Impact of Pension Reforms on Overall Financial Condition of the Pension Plans" herein.

FUNDING STATUS
PENSION FUND ACTUARIAL LIABILITIES AND ASSETS(1)
Actuarial Valuations as of July 1, 2012
(In Millions)

Pension Plan	Actuarial Value of Assets(2)	Actuarial Accrued Liability(3)	Unfunded Actuarial Accrued Liability(4)	Funded Ratio(5)	Market Value of Assets(6)
State					
PERS	$ 9,512.1	$ 19,383.6	$ 9,871.5	49.1%	$ 8,390.0
TPAF	31,214.2	52,637.3	21,423.1	59.3%	26,038.0
PFRS	2,074.1	4,027.0	1,952.9	51.5%	1,829.4
CP&FPF	6.3	8.0	1.7	78.8%	5.8
SPRS	1,969.8	2,767.8	798.0	71.2%	1,755.4
JRS	278.5	605.2	326.7	46.0%	243.7
POPF	9.0	5.4	(3.6)	167.6%	9.0
Subtotal	45,064.0	79,434.3	34,370.3	56.7%	38,271.3
Local					
PERS	19,374.5	26,009.0	6,634.5	74.5%	16,785.7
PFRS	21,500.5	27,705.2	6,204.7	77.6%	19,296.2
Subtotal	40,875.0	53,714.2	12,839.2	76.1%	36,081.9
Total	$85,939.0	$133,148.5	$47,209.5	64.5%	$74,353.2

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2012.

(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 2012 CAFR.

(2) The actuarial value of assets of each of the Pension Plans is set forth in the actuarial valuation relating to a Pension Plan and represents the market-related value of the assets held by the Pension Plan as adjusted to reflect various actuarial methods including the smoothing of actuarial losses and gains (including investment losses and gains) over a five-year period. The actuarial value of assets includes contribution receivables from the State and local participating employers, including additional contributions payable by the State and local employers to cover the cost of enhanced benefits offered under various early retirement incentive programs.

(3) The actuarial accrued liability of each of the Pension Plans is set forth in the actuarial valuation relating to a Pension Plan and is an estimate based on demographic and economic assumptions of the present value of benefits that the Pension Plan will pay during the assumed life expectancies of the applicable retired members and active members after they retire. The actuarial accrued liability represents the present value of all pension benefits accrued to date, including the present value of enhanced benefits from various early retirement incentive programs offered by the State and local employers.

(4) The UAAL of each of the Pension Plans is set forth in the actuarial valuation relating to a Pension Plan and reflects the amount of the excess of the actuarial accrued liability of a Pension Plan over its actuarial value of assets. The indicated amounts reflect the UAAL as calculated pursuant to the requirements of the Government Accounting Standards Board ("GASB") for purposes of presentation in the Comprehensive Annual Financial Report of the State ("CAFR"). These amounts differ immaterially from the UAAL of the Pension Plans calculated strictly pursuant to the actuarial methods required by State statutes and the actuarial assumptions adopted by the applicable Pension Plan boards.

(5) The Funded Ratio of each of the Pension Plans is presented in the actuarial valuation relating to a Pension Plan and reflects the quotient obtained by dividing the actuarial value of assets of the Pension Plan by the actuarial accrued liability of the Pension Plan. The indicated percentages reflect the Funded Ratio as calculated pursuant to the requirements of the GASB for purposes of presentation in the CAFR. These percentages differ immaterially from the Funded Ratios of the Pension Plans calculated strictly pursuant to the actuarial methods required by State statutes and the actuarial assumptions adopted by the applicable Pension Plan boards.

(6) The market value of assets as shown in the actuarial valuation reports for the Pension Plans and included in the table differs from the value of the investment portfolio of the Pension Plans as reported by the Division of Investment. 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 Plans, 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, 2006 through July 1, 2012
(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					
2006	$50,659.2	$67,266.3	$16,607.1	75.3%	$45,780.2
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
Local					
2006	$34,981.1	$43,181.5	$ 8,200.4	81.0%	$31,988.1
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

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2006 through July 1, 2012 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, 2013
(In Millions)

Pension Plan	Actuarially Recommended Contributions (1)	Expected Contributions (2)(5)	Amount Unfunded (3)(5)
State			
PERS	$ 924.4	$ 264.1	$ 660.3
TPAF	2,151.0	614.6	1,536.4
PFRS (4)	393.6	112.5	281.1
CP&FPF	0.9	0.9	0.0
SPRS	89.5	25.6	63.9
JRS	40.8	11.6	29.2
POPF	0.0	0.0	0.0
Subtotal	3,600.2	1,029.3	2,570.9
Local			
PERS	740.6	740.6	—
PFRS	750.0	750.0	—
Subtotal	1,490.6	1,490.6	—
Total	$5,090.8	$2,519.9	$2,570.9

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions was derived from the revised July 1, 2011 actuarial valuation reports for PERS, TPAF, PFRS, SPRS and JRS, which take into account changes to the investment return and salary growth assumptions, and the actuarial valuation reports as of July 1, 2011 for CP&FPF and POPF. Information regarding the actual contributions for the State is based on Chapter 1 which requires the State to make a contribution of at least 2/7th of the full actuarially recommended contribution in Fiscal Year 2013. Information with respect to the contributions of local governments paid in Fiscal Year 2013 was derived from the revised July 1, 2011 actuarial valuation reports for PERS and PFRS.

(1) The actuarially recommended contributions to the indicated Pension Plans in Fiscal Year 2013 are based on the information contained in the actuarial valuations for the Pension Plans as of July 1, 2011. The July 1, 2011 actuarial valuations for PERS, TPAF, PFRS, SPRS and JRS were revised to reflect changes to the economic assumptions. Specifically, the assumed rate of return on investments was lowered from 8.25% to 7.95%, and the salary growth assumption was lowered by an average of 2% for the next five years and 0.75% thereafter. As a result of these changes to the economic assumptions, the actuarially recommended contributions for the State decreased by $146.5 million from $3.747 billion to $3.600 billion, and the minimum 2/7th expected contribution decreased by $41.8 million from $1.071 billion to $1.029 billion. On the local employer side, the actuarially recommended contribution decreased by $108.0 million from $1.608 billion to $1.5 billion. The PERS and PFRS local employer pension contribution excludes early retirement incentive (ERI) contributions payable in Fiscal Year 2013 by local government employers who have adopted ERI programs for their employees.

(2) Pursuant to Chapter 1, the State's minimum contribution to the Pension Plans in Fiscal Year 2013 is 2/7th of the full actuarially recommended contribution amount. Such contributions to the Pension Plans by the State are subject to appropriation by the State Legislature. For local participating employers, full contributions based on the actuarially recommended amounts are expected.

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

(4) The expected contribution by the State to the PFRS includes contributions on behalf of local active and retired members to cover certain benefit enhancements. Of the total expected contribution of $112.5 million for Fiscal Year 2013, $48.8 million represents contributions on behalf of local participants.

(5) 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)	Expected Contributions (2)(5)	Amount Unfunded (3)(5)
State			
PERS	$1,050.1	$ 450.0	$ 600.1
TPAF	2,308.1	989.2	1,318.9
PFRS (4)	398.1	170.6	227.5
CP&FPF	0.9	0.9	0.0
SPRS	107.0	45.8	61.2
JRS	44.7	19.1	25.6
POPF	0.0	0.0	0.0
Subtotal	3,908.9	1,675.6	2,233.3
Local			
PERS	822.1	822.1	—
PFRS	750.2	750.2	—
Subtotal	1,572.3	1,572.3	—
Total	$5,481.2	$3,247.9	$2,233.3

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions was derived from the July 1, 2012 actuarial valuation reports. Information regarding the expected contributions for the State is based on Chapter 1 which requires the State to make a contribution of at least 3/7th of the full actuarially recommended contribution in Fiscal Year 2014. The State's expected contribution to the Pension Plans has been included in the Fiscal Year 2014 Appropriations Act. Information with respect to the expected contributions of local governments was derived from the July 1, 2012 actuarial valuation reports for PERS and PFRS.

(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. 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) Pursuant to Chapter 1, the State's minimum contribution to the Pension Plans in Fiscal Year 2014 is 3/7th of the full actuarially recommended contribution amount. Such contributions to the Pension Plans by the State are subject to appropriation by the State Legislature. For local participating employers, full contributions based on the actuarially recommended amounts are expected.

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

(4) The expected contribution by the State to the PFRS includes contributions on behalf of local active and retired members to cover certain benefit enhancements. Of the total expected contribution of $170.6 million for Fiscal Year 2014, $73.2 million represents contributions on behalf of local participants.

(5) Estimated.

AGGREGATE STATE & LOCAL EMPLOYER CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Years Ending June 30, 2008 through June 30, 2014 (1)
(In Millions)

Fiscal Year Ending June 30,	Actuarially Recommended Contributions(2)	Actual and Expected Contributions(3)	Amount Unfunded
State			
2008	$ 2,089.8	$ 1,046.1	$ 1,043.7
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(4)	3,600.2	1,029.3	2,570.9
2014	3,908.9	1,675.6	2,233.3
Subtotal	$20,800.3	$ 4,341.8	$16,458.5
Local			
2008	$ 1,089.1	$ 993.4	$ 95.7
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(4)	1,490.6	1,490.6	—
2014	1,572.3	1,572.3	—
Subtotal	9,725.7	9,505.2	220.5
Total	$30,526.0	$13,847.0	$16,679.0

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, 2006 through July 1, 2012. Information regarding the actual contributions of the State for Fiscal Years 2008 through 2013 was provided by the Division of Pensions and Benefits. Information regarding expected contributions of the State for Fiscal Year 2014 is as set forth in the Fiscal Year 2014 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, 2006 through July 1, 2012.

(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 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.

(3) Pursuant to Chapter 1, the State's minimum contribution to the Pension Plans in Fiscal Year 2014 is 3/7th of the full actuarially recommended contribution amount, as determined based on the July 1, 2012 actuarial valuations. Such contributions to the Pension Plans by the State are subject to appropriation by the State Legislature. For local participating employers, full contributions based on the actuarially recommended amounts are expected.

(4) Revised to reflect changes to the investment return and salary growth assumptions used in the July 1, 2011 actuarial valuations for PERS, TPAF, PFRS, SPRS and JRS, which reduced the actuarially recommended contribution for the State by $146.5 million from $3.747 billion to $3.6 billion and the minimum 2/7th expected contribution by $41.8 million from $1.071 billion to $1.029 billion. On the local employer side, the actuarially recommended contribution decreased by $108.0 million from $1.599 billion to $1.491 billion.

Impact of Pension Reforms and the State's Funding Actions on Pension Plans. 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. See "FUNDING PENSION PLANS—*Current and Historical Contributions and Funding Status"* herein. 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 had an immediate impact on the overall funded status of the Pension Plans (see "FUNDING PENSION PLANS—*Pension and Health Benefit Reform* for a description of the pension reform changes.) 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. The increase in the overall Funded Ratio and reduction in the UAAL as of June 30, 2010 was primarily due to the suspension of cost-of-living adjustments on pension benefits as of July 1, 2011. Chapter 1, a pension reform enacted previous to the 2011 Pension and Health Benefit Reform Legislation, required the State to resume making contributions to the Pension Plans on a phased-in basis over a seven-year period beginning in Fiscal Year 2012. Under this phase-in approach, the State would begin making full actuarially recommended contributions to the Pension Plans beginning in Fiscal Year 2018.

A fundamental objective of the 2011 Pension and Health Benefit Reform Legislation was to improve the long-term solvency of the Pension Plans while slowing the rapid growth of governmental costs to fund the Pension Plans. The combination of increased employee contributions, the suspension of cost-of-living adjustments, benefit reductions and a commitment to a structured employer contribution schedule was intended to improve the funded level of the Pension Plans and reduce or minimize the growth in employer contribution requirements over a 30 year projected period. Incorporating the seven-year phase-in of the State's full actuarially recommended contributions to the Pension Plans pursuant to Chapter 1, the projected Funded Ratios of the Pension Plans after the enactment of the 2011 Pension and Health Benefit Reform Legislation were anticipated to decrease until Fiscal Year 2018 (as occurred in Fiscal Year 2011 and Fiscal Year 2012). Beginning in Fiscal Year 2018, when the State is required to begin making the full actuarially recommendation contribution to the Pension Plans pursuant to Chapter 1 and as a result of the 2011 Pension and Health Benefit Reform Legislation, the Funded Ratio of the Pension Plans is projected to begin to improve steadily for the remainder of the 30 year projected period. If the 2011 Pension and Health Benefit Reform Legislation had not been enacted and based on the assumptions with respect to the Pensions Plans in place prior to the enactment of the 2011 Pension and Health Benefit Reform Legislation and the continued phase-in of contributions pursuant to Chapter 1, the State's full actuarially recommended contribution to the Pension Plans for Fiscal Year 2018, as of June 28, 2011, was projected to be $5.5 billion, and the UAAL and Funded Ratio of the Pension Plans as of June 30, 2018 were projected to be $65.7 billion and 40.5%, respectively. In contrast, based on current internal 30 year projections post-enactment of the 2011 Pension and Health Benefit Reform Legislation, if all of the assumptions of the Pension Plans are realized and the State continues the phased-in contributions provided for in Chapter 1, the State's actuarially recommended contribution for Fiscal Year 2018, which is the first year the State is assumed to make the full actuarially recommended contribution to the Pension Plans, is currently projected to be approximately $4.8 billion and, as of June 30, 2018, the UAAL and Funded Ratio of the Pension Plans are projected to be $41.6 billion and 52.3%, respectively.

The various reform measures are expected to positively impact State finances, lowering, over the long term, the actuarially recommended contributions required of the State from levels projected prior to the enactment of the 2011 Pension and Health Benefit Reform Legislation. After Fiscal Year 2018, the State expects the funded status of the Pension Plans will begin to improve and the UAAL will begin to decrease. These expectations assume the State will make full actuarially recommended contributions beginning in Fiscal Year 2018 and that the Pension Plans will otherwise have actual results that will match the assumptions of the Pension Plans. No assurance can be given as to

the level of the State's investment returns or the State's pension contributions in future fiscal years or as to the achievement of the other assumptions.

In the short term, the State expects that the amount of its actuarially recommended contributions to the Pension Plans will substantially increase through Fiscal Year 2018. The main factors contributing to this short term increase are the phased-in contributions of the State to the Pension Plans pursuant to Chapter 1 and a change in the amortization method of the UAAL as set forth in the 2011 Pension and Health Benefit Reform Legislation. In addition, the UAAL of the Pension Plans is expected to increase and the overall Funded Ratio is expected to decrease through Fiscal Year 2018 resulting from the State making less than full actuarially recommended contribution and other factors, including the fact that the State still has a substantial unrecognized loss of $11.5 billion as of the July 1, 2012 actuarial valuations. To illustrate how the Funded Ratio has continued to deteriorate since the various pension reforms were enacted, between the July 1, 2010 actuarial valuations and the most recent July 1, 2012 valuation, the overall Funded Ratio of the State worsened and decreased from 65.2% to 56.7%. The deterioration of the financial condition of the Pension Plans in the short-term will increase the amount of future actuarially recommended contributions of the State, thus deferring a substantial portion of the State's current funding responsibilities to future Fiscal Years.

Impact of Financial Deterioration of Pension Plans on Benefit Payments. 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 2007 to Fiscal Year 2012 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 $12.0 billion from $86.9 billion to $74.9 billion, while total expenditures incurred by the Pension Plans over the same period increased by $2.7 billion from $6.0 billion to $8.7 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 6.9% for Fiscal Year 2007 to 11.63% for Fiscal Year 2012. It is likely that the Annual Expenditures to Net Assets Ratio will worsen and increase in future Fiscal Years. 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.

Although the accumulation of 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 resulting in changes to liabilities of the Pension Plans. Future increased contributions by the State in future Fiscal Years, depending on the magnitude, would likely create a significant burden on all aspects of the State's finances. No assurances can be given as to the level of the State's pension contributions in future fiscal years.

Risk Measures. 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, 2012 actuarial reports, which set forth the actuarial valuations as of June 30, 2012, 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 designated 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 2012 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 worsened and decreased by 16% from 8.1 to 6.8. Between

June 30, 2010 and June 30, 2011, the ratio improved and increased by 1.3% from 8.0 to 8.1. For TPAF, between June 30, 2011 and June 30, 2012, the ratio of market assets to the prior year's benefit payment decreased by 10.7% from 8.4 to 7.5. Between June 30, 2010 and June 30, 2011, the ratio decreased by 3.4% from 8.7 to 8.4.

Litigation Affecting Pension Plans. See below under the captions "LITIGATION— *"—Powell v. State," "—Berg v. Christie" and "—New Jersey Education Association, et al. v. State of New Jersey, et al."* for a description of claims pending against the State relating to the pension reforms included in the 2011 Pension and Health Benefit Reform Legislation.

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 includes $186.6 million to cover pension, noncontributory group life insurance, and long-term disability 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 and 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 Years 2012 and 2013, the State contributed $719,578 and $969,981, respectively, on behalf of enrolled State employees to cover pension benefit costs. For Fiscal Year 2014, the Fiscal Year 2014 Appropriations Act includes $1,280,000 as the State's contribution to the DCRP to cover pension benefit costs. With regard to noncontributory group life and long-term disability insurance benefits, for Fiscal Year 2012 and 2013, the State contributed $58,128 and $216,484, respectively, to cover noncontributory insurance benefit costs. For Fiscal Year 2014, the Fiscal Year 2014 Appropriations Act includes $349,000 to fund noncontributory insurance 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 Years 2012 and 2013, the State expended $67.5 million and $79.5 million, respectively, to cover noncontributory insurance benefit costs of the Pension Plans. For Fiscal Year 2014, the Fiscal Year 2014 Appropriations Act includes $75.2 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 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 are 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 Year 2013, the State paid PRM benefits for 130,448 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 2012 and Fiscal Year 2013, the State contributed $1.225 billion and $1.398 billion, respectively, to pay for PRM benefits for the eligible retirees in these groups mentioned above. For Fiscal Year 2014, the Fiscal Year 2014 Appropriations Act includes $1.558 billion in funding for 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. 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 "FINANCING 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 May 2013, the Fiscal Year 2012 actuarial accrued liability of the State to provide PRM to active and retired members of the Pension Plans, which is based upon GASB Statement No. 43 results as of July 1, 2012, has been measured to be $51,502.6 million, an increase of $2,553 million or 5.22% as compared to the Fiscal Year 2011 actuarial accrued liability of $48,949.7 million. An informational copy of the valuation report will be 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, 2012		
	State	Education-State	Total
Actuarial Accrued Liability*			
Active	$10,277.1	$18,087.8	$28,364.9
Retired	$ 9,042.6	$14,095.1	$23,137.7
Total	$19,319.7	$32,182.9	$51,502.6

*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 $12,378.1 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 Statement No. 43 and Statement No. 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 Statement No. 43 and Statement No. 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 8.5% in Fiscal Year 2013 and decrease to a 5.0% long-term trend for all medical benefits after 8 years, post-age 65 healthcare expenses for the HMO plans would increase at a rate of 8.5% in Fiscal Year 2013 and decrease to a 5.0% long-term trend after 8 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 8.5% for current and future retirees in Fiscal Year 2013 and decrease to a 5.0% long-term trend rate after 8 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, 2012 State of New Jersey, Postemployment Benefits Other Than Pension Actuarial Valuation. An informational copy of the valuation report will be 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, 2011 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, 2012
(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
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

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 1, 2006 through July 1, 2012. 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. 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. The new plan options were available to participants beginning January 1, 2012.

As shown in the *Schedule of Funding Progress for 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 $2.553 billion or 5.22% between the July 1, 2011 and July 1, 2012 actuarial valuations from $48.950 billion to $51.503 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.

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 asserts 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 alleges that DEP is responsible for unpermitted discharges of landfill pollutants into FiberMark's waste water treatment lagoon #1 at Warren Glen from a neighboring landfill. FiberMark also claims 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 case, *FiberMark North America Inc. v. Jackson*, previously filed in the United States District Court. The State filed its answer to FiberMark's complaint filed in State court on June 23, 2008. The trial on this matter began on May 4, 2009. At the conclusion of FiberMark's presentation of its case on May 7, 2009, DEP moved to dismiss the matter, which the court granted. On May 26, 2009, Fibermark filed several motions with the court. Fibermark also 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 court to decide the motions previously filed with the court. By order dated September 18, 2009, the Appellate Division temporarily remanded the matter for 30 days to the court, for the trial judge to rule on the post-judgment motions previously filed with the court. On October 23, 2009, the court issued a decision from the bench denying FiberMark's motions. On October 28, 2009, the trial judge issued a written Supplemental Memorandum of Decision on Motion. This matter was returned to the Appellate Division. Oral argument was held on May 3, 2011. 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 claims. In addition, the panel affirmed 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. Specifically, the Appellate Division concluded that the issue of whether DEP's actions to stop the leachate flow were reasonable could not be resolved against FiberMark in the context of a

motion to dismiss. The Appellate Division also ruled 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.

FiberMark filed a notice of petition for certification with the Supreme Court on August 24, 2011 and, on September 19, 2011, the Supreme Court notified the parties that the FiberMark notice of petition for certification was filed out of time. 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 15, 2012, a jury trial commenced in this matter. 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. The trial court denied FiberMark's motion for a new trial on April 27, 2012. On June 18, 2012, FiberMark filed a notice of appeal. Briefing of this matter is complete. The parties await scheduling of oral argument. 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, 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. The dismissal of these claims against the State, as third party defendant, and against DEP were embodied in an order dated May 11, 2011.

On January 26, 2011, the Special Master recommended the denial of the motions of NJDOT and NJDA to dismiss portions of the third party complaint filed by Maxus and Tierra. NJDOT and NJDA filed motions to appeal the Special Master's recommendation during February 2011. In April 2011, the court upheld the recommendations of the Special Master and denied NJDOT, NJDA and other third party defendants' motions to dismiss. On May 25, 2011, the Appellate Division granted certain third party defendants' requests for leave to appeal the court's denials of the motions to dismiss. The third party defendants filed motions to stay the trial proceedings with the court, but the court denied those motions. The third party defendants thereafter filed motions to stay proceedings at the trial level with the Appellate Division, which denied those motions on September 6, 2011. The denials of the motions to dismiss were affirmed by the Appellate Division on April 24, 2012. On September 21, 2012, the court ordered a ninety day stay of certain third party proceedings, including those against NJDOT and NJDA, pending the outcome of settlement negotiations. This stay has been continued until further order of the court.

On July 19, 2011, the court ruled that Occidental, as the successor to Diamond Shamrock Chemicals Company ("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. The damages phase of this litigation has been stayed until further order of the court.

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. The Consent Judgment was posted on the DEP's website on March 27, 2013. Notice of the Consent Judgment was published in the New Jersey Register on May 6, 2013 for a 60-day comment period, which expired on July 5, 2013. DEP received one comment, which it will consider in determining whether to approve the Consent Judgment. If approved by the DEP, the Consent Judgment will be submitted to the court for approval.

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. The Settlement Agreement was posted on the DEP's website on June 7, 2013. Notice of the Settlement Agreement was published in the July 1, 2013 New Jersey Register for a 30-day comment period. DEP has received several comments, which it will consider and

determine whether to approve the Settlement Agreement. If approved by the DEP, the Settlement Agreement will be submitted to the court for approval.

Defendant Occidental Chemical Corporation is not participating in the Settlement Agreement. If the Settlement Agreement is approved by the court, certain State claims against Occidental would continue to be litigated. Occidental's fraudulent conveyance claims against Repsol, S.A. and YPF, S.A. would 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.

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, including Article I, Section 19 (Right to Organize Clause), Article IV, Section 7, Para. 9 (Special Legislation Clause), Article IV, Section 6, Para. 1 (Taxation Clause), Article VIII, Section 1, Para. 7 (Bill Origination Clause) and Article VI, Section 6, Para. 6 (Diminution Clause of Judicial Compensation Clause). 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. Oral argument on the State Executive Branch Defendants' motion to dismiss was scheduled for September 28, 2012. However, on September 27, 2012, Judge Baldwin adjourned on his own initiative, the oral argument on the State Executive Defendants' motion to dismiss. Judge Baldwin also adjourned on his own initiative the hearing on the State Executive Defendants' motion to dismiss. 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. Their brief was filed on July 31, 2013. The State is vigorously defending this matter.

Berg v. Christie. On December 2, 2011, a number of retired Deputy Attorneys General and retired Assistant Attorneys General 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. Plaintiffs' opposition brief and cross-motion for summary judgment was filed on March 16, 2012. 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 20, 2012, the Plaintiffs and the State submitted letters opposing NJEA's motion to participate as an intervenor or amicus. 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 Berg 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. The Appellants have submitted their initial merits brief. The State's opposition brief was filed on June 24, 2013. The State is vigorously defending this matter.

New Jersey Education Association, et al. v. State of New Jersey, et al. Plaintiffs, active and retired members of PERS, PFRS, and TPAF, challenge the constitutionality of Chapter 78, claiming the suspension of cost of living adjustments, increased pension contributions, delegation of authority to pension committees, and increased contributions for medical benefits in retirement violate the State and federal constitutions.

Additionally, the plaintiffs challenge Chapter 78 on constitutional grounds, including impairment of contract, substantive and procedural due process, takings, and promissory estoppel. Plaintiffs seek declaratory and injunctive relief. On April 12, 2012, Plaintiffs filed a complaint in the Law Division, Mercer County. The State's responsive pleading was filed on May 17, 2012. The parties agreed to hold the new State case in abeyance pending the Law Division's decision in *Berg v. Christie* (see above). The Court ordered the parties to submit letters regarding whether the case should continue to be held in abeyance pending resolution of all appeals in *Berg v. Christie*. The State's submission was made on July 9, 2012; NJEA's submission was made on July 27, 2012. On August 24, 2012, Plaintiffs filed an Amended Complaint dismissing their claims regarding the temporary suspension of pension adjustments. On October 5, 2012, the State filed a motion to dismiss the complaint that the NJEA filed in the Law Division challenging the increased pension and health care contributions mandated by Chapter 78. Oral argument on the State's motion to dismiss was held on February 21, 2013. On June 13, 2013, the Court granted the State's motion to dismiss. The Plaintiffs have not yet appealed the dismissal of their complaint.

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. The Tax Court found that, on its face, this rule did not violate any of the constitutional provisions raised. Taxpayers' "as-applied" challenges remain. The taxpayers sought interlocutory review in the Appellate Division, which was denied. 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. All parties briefed the facial constitutionality issue and the Appellate Division heard oral argument on November 16, 2009. 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 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. On May 4, 2011, the Whirlpool matter was argued before the Supreme Court. 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 of New Jersey. Discovery in this matter is ongoing with respect to Whirlpool's "as applied" constitutional challenge. Whirlpool has filed a motion for partial summary judgment. 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. The case is currently in discovery. 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. The State filed its answer on March 5, 2012. The court gave a preliminary ruling in favor of New Cingular with a published opinion expected to follow. 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.

James Liik, et al v. N.J. Dept of Corrections and Civil Service Commission. This matter was filed in the Mercer County, New Jersey Superior Court, Law Division in November 2009 (the "2009 Case"). The Liik plaintiffs, five senior corrections officers and PBA Local 105, filed a complaint on their own behalf and all similarly situated individuals, demanding lost wages and benefits they allegedly would have received but for their improper designation as non-employee trainees under a 1998 pilot program that established correction officer recruit trainee as a new job classification. Recruit trainees under the program were considered students, rather than regular employees, and they were paid a weekly stipend while in training, rather than the salary of a corrections officer recruit. The complaint alleged a violation of constitutional due process principles, a violation of state statutory civil rights protections, a breach of a statutory and regulatory contract, a breach of a quasi-contract, a breach of an implied in fact contract and that the 1998 pilot program unjustly enriched the State because of the failure of the State to pay wages and benefits of a regular employee to recruit trainees. The complaint also demands punitive damages, as well as attorney fees and costs.

This action was filed shortly after the Appellate Division decision in *James Liik, et al. v. New Jersey Department of Personnel and New Jersey Department of Corrections*. The prior complaint asserted that the defendants acted outside their authority by designating plaintiffs and paying them as recruit trainees allegedly in violation of provisions of the Civil Service Act, the Administrative Procedure Act and the federal Fair Labor Standards Act. In July 2009 (the "2009 Case"), the Appellate Division ruled that the 1998 pilot program was statutorily authorized for one year and that the program could not continue beyond one year without rulemaking. Accordingly, the court held that the program was void after one year because it had not been continued by regulation. No damages were awarded in the prior action. The prior action has been concluded and is not subject to appeal.

The State defendants filed motions to dismiss the complaint in the 2009 Case and the Liik plaintiffs filed a cross-motion for summary judgment. The trial court dismissed all causes of action, except for the implied in fact contract claim and judgment in favor of the plaintiffs was entered on this claim. In addition, the trial court granted a motion by the Liik plaintiffs to certify the lawsuit as a class action consisting of all recruit trainees during the years 1999 to 2009. On August 18, 2011, the State filed a motion for leave to appeal the trial court's order denying the State's motion to dismiss the complaint in its entirety and the granting of summary judgment to the plaintiffs on the their implied in fact contract claim. On October 7, 2011, the Appellate Division denied the State's motion for leave to appeal. Discovery is continuing on the issue of damages on the implied in fact contract claim. The State filed a motion for partial summary judgment on the issue of damages on April 11, 2012. The State is vigorously defending 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. Oral argument in this matter was held on July 13, 2012. 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. On September 6, 2012, FSHC served a motion for summary disposition, or in the alternative, preliminary injunction. In response, the State filed a cross-motion for summary judgment. The Appellate Division denied both motions by order dated October 24, 2012. 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. 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. Oral argument was held on May 14, 2001. 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 have 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. The DEP has initiated the reconsideration process pursuant to the regulations. 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"). Currently, these audits span time periods between July 27, 2003 and December 31, 2007. 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.

APPENDIX I-A

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012 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
2013

Company	New Jersey Employees
Wakefern Food Corp.	35,734
Wal-Mart Stores, Inc.	17,661
UPS	16,067
Verizon Communications	15,400
Johnson & Johnson	14,500
The Home Depot	13,628
United Continental Holdings	13,600
The Great Atlantic & Pacific Tea Co. (A&P)	12,373
Caesar's Entertainment	12,194
Bank of America	12,000
PSEG	10,000
AT&T, Inc.	9,733
Wawa, Inc.	8,546
FedEx	8,489
Target Corporation	8,467
CVS Caremark	8,400
Merck & Company, Inc.	8,316
TD Bank	8,200
Prudential Financial, Inc.	8,185
The Stop & Shop Supermarket Co.	7,930
Macy's	7,400
Lowe's Companies Inc.	6,551
Bristol-Myers Squibb Company	6,300
Wells Fargo	6,300
JP Morgan Chase & Company	6,129
Borgata Hotel Casino & Spa	6,053
Bed Bath & Beyond	6,000
Bayada Home Health Care	5,236
Lockheed Martin	5,200
Aramark	5,060

Source: New Jersey Business Magazine, August 2013

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
2002-2012 (Dollars in Millions)

	Total Personal Income			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2002	341,558	678,393	387,664	9,054,702
2003	347,692	695,392	399,547	9,369,072
2004	365,260	741,167	417,791	9,928,790
2005	379,650	786,512	432,248	10,476,669
2006	411,429	851,437	462,704	11,256,516
2007	436,120	915,526	489,076	11,900,562
2008	454,206	949,250	512,992	12,451,660
2009	430,956	902,385	496,664	11,852,715
2010	443,742	952,673	514,352	12,308,496
2011	462,495	995,185	538,909	12,949,905
2012	475,393	1,019,514	556,692	13,401,869

	Total Personal Income As A Percent of 2000 Base			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2002	104.8	103.1	104.8	105.8
2003	106.7	105.7	108.0	109.5
2004	112.0	112.7	112.9	116.1
2005	116.5	119.5	116.8	122.5
2006	126.2	129.4	125.1	131.6
2007	133.8	139.2	132.2	139.1
2008	139.3	144.3	138.7	145.6
2009	132.2	137.2	134.3	138.5
2010	136.1	144.8	139.0	143.9
2011	141.9	151.3	145.7	151.4
2012	145.8	155.0	150.5	156.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of March 27, 2013.
Note: Historical numbers may differ from prior reports because of the 2009 Comprehensive Revision of National Income and Product Amounts.

TABLE IV

2012 PER CAPITA PERSONAL INCOME FOR NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES

	2011 Amount	2012 Amount	2012 Percent of National Average	Rank United States	Percent Change 2011 - 2012
United States	41,560	42,772	100.0%	—	2.9%
New Jersey	52,430	53,629	125.4	3	2.3
New York	51,126	52,240	122.1	4	2.2
Pennsylvania	42,291	43,611	102.0	19	3.1

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of June, 2013.
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 2009 Comprehensive Revision of National Income and Product Amounts.

TABLE V

PER CAPITA PERSONAL INCOME NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES 2002-2012

	Per Capita Personal Income			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2002	39,936	35,448	31,438	31,481
2003	40,423	36,264	32,288	32,295
2004	42,302	38,660	33,664	33,909
2005	43,880	41,108	34,719	35,452
2006	47,500	44,567	36,984	37,725
2007	50,256	47,852	38,927	39,506
2008	52,141	49,408	40,674	40,947
2009	49,221	46,739	39,210	38,637
2010	50,428	49,119	40,444	39,791
2011	52,430	51,126	42,291	41,560
2012	53,629	52,240	43,611	42,772

	Per Capita Personal Income As A Percent of United States			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2002	126.9	112.6	99.9	100.0
2003	125.2	112.3	100.0	100.0
2004	124.8	114.0	99.3	100.0
2005	123.8	116.0	97.9	100.0
2006	125.9	118.1	98.0	100.0
2007	127.2	121.1	98.5	100.0
2008	127.3	120.7	99.3	100.0
2009	127.4	121.0	101.5	100.0
2010	126.7	123.4	101.6	100.0
2011	126.2	123.0	101.8	100.0
2012	125.4	122.1	102.0	100.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of June, 2013.
Note: Historical numbers may differ from prior reports because of the 2009 Comprehensive Revision of National Income and Product Amounts.

TABLE VI

WAGE AND SALARY WORKERS IN NONAGRICULTURAL ESTABLISHMENTS ANNUAL AVERAGES BY NAICS INDUSTRY DIVISIONS, NEW JERSEY, 2002-2012 (In thousands)

Year	Total Non-farm Employment	Manufacturing	Natural Resources & Mining	Construction	Trade, Transportation & Utilities	Information	Financial Activities	Services and Miscellaneous*	Government
2002	3,983.6	367.5	1.6	162.6	881.4	113.2	276.7	1,567.1	613.5
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

Note: Historical numbers may differ from prior reports because of the 2009 Comprehensive Revision of National Income and Products Amounts.

* 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.

TABLE VII

AVERAGE ANNUAL UNEMPLOYMENT RATES NEW JERSEY AND UNITED STATES 2002-2012

Calendar Years	New Jersey	United States
2002	5.8%	5.8%
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	9.4%	8.9%
2012	9.5%	8.1%

Source: U.S. Department of Labor, Bureau of Labor Statistics, Data Base & Tables, Unemployment.

TABLE VIII

AVERAGE HOURLY WAGES (NAICS)
PRODUCTION WORKERS ON MANUFACTURING PAYROLLS
NEW JERSEY AND SELECTED NEIGHBORING STATES
2002-2012

Calendar Years	New Jersey	New York	Pennsylvania
2002	15.19	16.75	14.75
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	19.23	18.61	18.26

Source: U.S. Department of Labor, Bureau of Labor Statistics.

TABLE IX

NEW VEHICLE SALES
NEW JERSEY
2002-2012

	Total Vehicles		
Calendar Years	Annual	Monthly Average	% change
2002	610,422	50,869	—
2003	627,499	52,292	2.8%
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%

* 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: 2012

	New Jersey		United States	
	No. of Jobs(000)	% of Total	US Jobs(mil.)	% of Total
Total Nonfarm	3,895.8	100.0%	133.7	100.0%
Manufacturing	245.4	6.3	11.9	8.9
Natural Resources & Mining	1.3	0.0	0.9	0.6
Construction	130.4	3.3	5.6	4.2
Trade, Transportation and Utilities	822.7	21.1	25.5	19.1
Information	77.5	2.0	2.7	2.0
Financial Activities	249.0	6.4	7.8	5.8
Services	1,749.4	44.9	57.4	42.9
Government	620.2	15.9	21.9	16.4

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.

TABLE XI

DOLLAR AMOUNT OF ANNUAL NONRESIDENTIAL CONSTRUCTION AUTHORIZED BY BUILDING PERMITS, 2005 TO 2012

Calendar Year	Estimated Nonresidential Costs ($M)	% Change
2005	6,241.7	—
2006	7,287.1	16.7%
2007	7,054.5	-3.2%
2008	7,968.1	13.0%
2009	4,971.4	-37.6%
2010	4,811.5	-3.2%
2011	6,091.8	26.6%
2012	5,576.1	-8.5%

Source: New Jersey Department of Community Affairs.

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. *P.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. *P.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. *P.L.* 2004, *c.* 128.

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. *P.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. *P.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. *P.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. *P.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. *P.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 (*P.L.* 2002, *c.* 128) replaces the former Litter Control Tax imposed on certain litter-generating products. See discussion of **"Litter Control Tax"** below. As amended, the Litter Control Tax was scheduled to expire on December 31, 2000 (*P.L.* 1995, *c.* 301). The Clean Communities and Recycling Grant Act, affirms the Legislature's intent to repeal the Litter Control Tax. (*P.L.* 2002, *c.* 128, § 12).

The Clean Communities and Recycling Grant user fee 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. (*P.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, *P.L.* 2002, *c*. 40).

The CBT is imposed on every corporation, including S corporations (*P.L.* 1993, *c.* 173) not expressly exempted by statute, real estate investment trusts (*P.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. *P.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, *P.L.* 2008, *c.* 120 eliminates the throw-out provision in the apportionment formula. *P.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. *P.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. *P.L.* 2008, *c*. 120.

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. *P.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 71/2% for taxpayers with entire net income of $100,000 or less (*P.L.* 1995, *c.* 246). For corporations with entire net income less than $50,000, the rate is 6½%.

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 $5,000,000, 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, 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. *P.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. *P.L.* 1997, *c*. 40. The rates for S corporation income of $100,000 or more expire July 1, 2007. *P.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. *P.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. *P.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. *P.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. *P.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. *P.L.* 2004, *c.* 47. With respect to privilege periods beginning in the 2006 calendar year, Net Operating Loss deductions return to full deductibility. *P.L.* 2004, *c.* 47. In addition, under *P.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, *P.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.

For privilege periods after December 31, 2004, *P.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 (*P.L.* 2005, *c.* 127, effective July 6, 2005).

For privilege periods beginning after December 31, 2008 and before January 1, 2011, *P.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.

P.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 $2.5 billion.

P.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

P.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. *P.L.* 2004, *c.* 53.

P.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. *P.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. *P.L.* 1997, *c.* 167.

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

This act (*P.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.

P.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 12½% 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 (*P.L.* 1989, *c.* 219) or other retirement income, such as income from IRC § 401(k), 403, 414, 457 Plans (*P.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. *P.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. *P.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. *P.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 (*P.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. *P.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 (*P.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 (*P.L.* 1997, *c.* 414). Roth IRA's also receive favorable tax treatment. *P.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. *P.L.* 1993, *c.* 210; *P.L.* 1998, *c.* 79. Beginning January 1, 2001 military pension and survivor benefits respecting

service in the United States Armed Forces are included. *P.L.* 2001, *c.* 84. However, for taxable years beginning on or after January 1, 2004, *P.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." *P.L.* 1996, *c.* 60. Among the key provisions of *P.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. *P.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 *P.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.

P.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). *P.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. *P.L.* 2010, *c.* 27.

P.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. *P.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.

P.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. *P.L.* 2004, *c.* 55. *See also*, summary of *P.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. *P.L.* 2004, *c.* 139.

For the same taxable periods, *P.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 (*P.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 (*P.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. *P.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 *P.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. *P.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. *P.L.* 2009, *c.*69.

P.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

P.L. 2004, *c.* 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 Act 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 *P.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 of the act became effective on June 30, 2004. Section 2 of the act 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. *P.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. *P.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 2011 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 2011 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 2014, only applicants whose income for the 2011 tax year did not exceed $80,000 and whose income for the 2012 tax year did not exceed $70,000 are eligible to receive a 2012 PTR provided they met all the other program requirements. Residents whose 2012 income was over $70,000 but not over $82,880 will not receive PTRs for 2012. However, by filing a 2012 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 *P.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. *P.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 *P.L. 2003, c. 114*, plus the Sales and Use Tax and any tax and assessment imposed under *P.L. 1992, c. 165,* section 4 cannot exceed 14% (*P.L.* 2006, *c*. 44). In municipalities with existing hotel taxes pursuant *P.L. 1981, c. 77*, the law provides that the State will receive a 1% hotel and motel occupancy fee. *P.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 *P.L.* 2003, *c.* 114 (C. 40:48F-1), and may charge an additional 2 percent 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. *P.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. *P.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. *P.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 the Act 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 *P.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 (*P.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.

P.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, the act 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.

P.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.

P.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 Tax

The Litter Control Tax is imposed on all gross receipts from sales of litter-generating products sold within New Jersey by every person engaged in business in this State. Originally set to expire on December 31, 1991 (*P.L.* 1986, *c.* 187), the expiration date of this tax has been extended to expire on December 31, 2000 (*P.L.* 1995, *c.* 301). Any retailer with less than $250,000 in annual retail sales of litter-generating products is exempt from the tax. *P.L.* 1985, *c.* 533.

The user fee imposed on sales of certain litter-generating products under the Clean Communities and Recycling Grant Act (*P.L.* 2002, *c.* 128) replaces the former Litter Control Tax. See discussion "Clean

Communities and Recycling Grant User Fee," above. As amended, the Litter Control Tax was scheduled to expire on December 31, 2000 (*P.L.* 1995, *c.* 301). The Clean Communities and Recycling Grant Act affirms the Legislature's intent to repeal the Litter Control Tax. (*P.L.* 2002, *c.* 128, § 12).

Former 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

P.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," *P.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. *P.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, *P.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; *P.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. *P.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. *P.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. *P.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. *P.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: 23/4%. For fuel oil, aviation fuel and motor fuels, tax is fixed at $0.04 a gallon. *P.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. *P.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, *P.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). *P.L.* 2004, *c.* 66.

Pursuant to *N.J.S.A.* 46:15-7.1, a supplemental fee is imposed under the Act 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. *P.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. *P.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. *P.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 *P.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. *P.L.* 2006 *c.* 66. Pursuant to Section 9 of *P.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, *P.L.* 2005, *c.* 19, amended the one percent 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). *P.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 *P.L.* 2006 did not alter *P.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.

Roadside Sign Control and Outdoor Advertising Fee

Effective July 1, 2003, the Roadside Sign Control and Outdoor Advertising Act was amended to impose a 6% fee on the gross amounts collected by a retail seller for billboard advertising space. The fee is imposed directly on the retail seller of the advertising space, as defined by the amendments to the Act. The law imposing the fee applies to collections for any period on or after July 1, 2003, through June 30, 2004. *P.L.* 2003, *c.* 124. Effective June 29, 2004, the law was amended to reduce and ultimately eliminate the fee. *P.L.* 2004, *c.* 42. In this regard, the fee will be phased-out as follows: 1) for the period beginning July 1, 2003 through June 30, 2006 — the rate is 6%, 2) for the period beginning July 1, 2006 through June 30, 2007 — the rate is 4%, and 3) for the period beginning July 1, 2007 and thereafter — the rate is 0%. *P.L.* 2004, *c.* 42.

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. *P.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. *P.L.* 2006, *c.* 44. *P.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. *P.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. *P.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. *P.L.* 1983, *c.* 303; *P.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. *P.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 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. *P.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. *P.L.* 2006, *c.* 44

P.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, *P.L.* 2005, *c.* 126 conforms New Jersey's SUT Act to the Streamlined Sales and Use Tax Agreement. These amendments to the 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).

Current Rate: 7% (*P.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. *P.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, *P.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. *P.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.

Solid Waste Recycling Facility 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, *P.L.* 1981, *c.* 278, and on all solid waste accepted for disposal or transfer on or after July 1, 1987. *P.L.* 1987, *c.* 102. Proceeds from the tax constitute the State Recycling Fund administered by the State Department of Environmental Protection and Energy. A credit against the Corporation Business Tax (CBT) is available for purchase of recycling equipment. *P.L.* 1987, *c.* 102. The tax and C.B.T. credit provision both expired on December 31, 1996. *P.L.* 1981, *c.* 278. The Solid Waste Recycling Facility Tax was repealed by the Clean Communities and Recycling Grant Act, *P.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. *P.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 State 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. *P.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. *P.L.* 1997, *c.* 143; *P.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. *P.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 percent tax on receipts from every sale within the district of tangible personal property subject to taxation under subsection (a) of section 3 of *P.L.* 1966, *c.* 30 (C. 54:32B-3); (2) a 2 percent tax on sales within the district of food and drink subject to taxation pursuant to subsection (c) of section 3 of *P.L.* 1966, *c.* 30 (C. 54:32B-3); (3) a 2 percent tax on hotel rooms occupied within the district and subject to taxation pursuant to subsection (d) of section 3 of *P.L.* 1966, *c.* 30 (C. 54:32B-3); and (4) a 2 percent tax on admission charges to places of amusement within the district subject to taxation pursuant to subsection (3) of *P.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. *P.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. *P.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. *P.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. *P.L.* 1992, *c.* 165; *P.L.* 1997, *c.* 273.

Current Rate: not to exceed 2%.

Voice Grade Access Line and Service Number Fees

P.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. *P.L.* 2004, *c.* 48.

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APPENDIX II

COPY OF THE RESOLUTION

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NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

2012 TRANSPORTATION PROGRAM BOND RESOLUTION

ADOPTED OCTOBER 26, 2012

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2012 TRANSPORTATION PROGRAM BOND RESOLUTION

ADOPTED OCTOBER 26, 2012

WHEREAS, the Transportation Trust Fund Authority (the "Authority") was established and exists pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, L. 1984, c. 73, as amended and supplemented (the "Act"), including by L. 2012, c. 13 (the "2012 Legislation"); and

WHEREAS, the Act provides that there exists an urgent need for a stable and assured method of financing the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of New Jersey's transportation system and that unless additional State funding is provided immediately for New Jersey's transportation system, the cost of repair and reconstruction will increase geometrically and the economic well-being and safety of users of the State's transportation system will be endangered; and

WHEREAS, in 1984 the Act established an arrangement whereby the State's share of the costs related to the reconstruction and repair of New Jersey's transportation system could be financed; and

WHEREAS, the funding of New Jersey's transportation system has been undertaken previously through the issuance of the Authority's Transportation System Bonds (the "Prior Bonds"), under the Authority's 1995 Transportation System Bond Resolution, as amended and supplemented (the "1995 Bond Resolution"); and

WHEREAS, the 2012 Legislation provides for, among other things, (i) the authorization of the "Transportation Program Bonds," in such amounts for such years as set forth in the 2012 Legislation; (ii) the provision of the payment of debt service on the Transportation Program Bonds only from certain constitutionally dedicated sources, and (iii) changes to the Joint Budget Oversight Committee's review of certain bonding by the Authority; and

WHEREAS, pursuant to the 2012 Legislation, the debt service on the Authority's Transportation Program Bonds will be payable solely from revenues dedicated pursuant to Article VIII, Section II, paragraph 4 of the Constitution of the State of New Jersey (the "State Constitution") and deposited into the "Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds;" and

WHEREAS, such constitutionally dedicated revenues shall consist of (i) a portion of the amount equivalent to the revenue derived from $0.1.05 per gallon of the tax imposed on the sale of motor fuels pursuant to chapter 39 of title 54 of the Revised Statutes (the "Motor Fuels Tax"), and (ii) a portion of certain amounts derived from State revenues collected from (a) the tax on the gross receipts of the sale of petroleum products imposed pursuant to L. 1990, c. 42 (C.54:15B-1 et seq.) as amended and supplemented (the "Petroleum Products Tax"), and (b) the State tax imposed under the "Sales and Use Tax Act," pursuant to L. 1966, c. 30 (C.54:32B-1 et seq.) as amended and supplemented (the "Sales and Use Tax"), all of which are subject and subordinate to certain appropriations and uses of the revenues as set forth in the State Constitution; and

WHEREAS, pursuant to the 2012 Legislation, the debt service on the Authority's Transportation Program Bonds is payable from the following statutorily dedicated sources as set forth in N.J.S.A. 27:1B-20, as amended by the 2012 Legislation, which sources are also constitutionally dedicated: a portion of an amount equivalent to the revenue derived from (i) $0.105 per gallon from the Motor Fuels Tax; (ii) the Petroleum Products Tax; and (iii) the tax imposed under the "Sales and Use Tax Act," L. 1966, c. 30 (C. 54:32B-1 et seq.) on the sale of new motor vehicles (the "Sales and Use Tax on the Sale of New Motor Vehicles"); and

WHEREAS, in order to implement the new financing arrangement provided for in the 2012 Legislation, and to secure the obligations of the Authority to be incurred, the Authority wishes to adopt the following 2012 Transportation Program Bond Resolution;

NOW THEREFORE BE IT RESOLVED by the Authority as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

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

Account or Accounts shall mean, as the case may be, each or all of the Accounts established or to be established pursuant to Section 502.

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, which may be the accountant or firm of accountants which regularly audits the books of the Authority.

Accreted Value shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond at original issuance, plus the interest accrued on such Capital Appreciation Bond from the date of its original issuance to the Accretion Date next preceding the date of computation or the date of computation if a Accretion Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds set forth in the Supplemental Resolution or Series Certificate authorizing such Capital Appreciation Bonds, compounded on each Accretion Date in each year, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be a Accretion Date, a portion of the difference between the Accreted Value as of the immediately preceding Accretion Date (or the date of original issuance if the date of computation is prior to the first Accretion Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Accretion Date, calculated based upon an assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on such basis as shall be set forth in the Supplemental Resolution or Series Certificate authorizing the Series of which such Capital Appreciation Bond is a part.

Accretion Date shall mean, with respect to any Series of Convertible Capital Appreciation Bonds or Capital Appreciation Bonds, the dates set forth in the Supplemental Resolution or Series Certificate authorizing such Series of Bonds as of which interest accrued on the Bonds of such Series shall be added to the Appreciated Value or Accreted Value, as the case may be, of the Bonds of such Series, which dates shall be Interest Payment Dates for the Bonds of such Series.

Act shall mean the New Jersey Transportation Trust Fund Authority Act of 1984, constituting Chapter 73, Laws of New Jersey of 1984, as heretofore or hereafter from time to time amended and supplemented, including by, without limitation, L. 2012, c.13.

Aggregate Debt Service for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series.

Appreciated Value shall mean (i) as of any date of computation with respect to any Convertible Capital Appreciation Bond prior to the Interest Commencement Date set forth in the Supplemental Resolution or Series Certificate authorizing such Convertible Capital Appreciation Bond, an amount equal to the principal amount of such Convertible Capital Appreciation Bond at original issuance plus the interest accrued on such Convertible Capital Appreciation Bond from the date of original issuance of such Bond to the Accretion Date next preceding the date of computation or the date of computation if a Accretion Date, such interest to accrue at the rate per annum of the Convertible Capital Appreciation Bonds set forth in the Supplemental Resolution or Series Certificate authorizing such Convertible Capital Appreciation Bond, compounded semi-annually on each Accretion Date, plus, if such date of computation shall not be a Accretion Date, a portion of the difference between the Appreciated Value as of the immediately preceding Accretion Date (or the date of original issuance if the date of computation is prior to the first Accretion Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Accretion Date calculated based upon an assumption that Appreciated Value accrues during any period in equal daily amounts on such basis as shall be set forth in the Supplemental Resolution or Series Certificate authorizing the Series of which such Convertible Capital Appreciation Bond is part, and (ii) as of any date of computation on and after the Interest Commencement Date the Appreciated Value on the Interest Commencement Date.

Authority shall mean the New Jersey Transportation Trust Fund Authority, a public body corporate and politic created and existing under and by virtue of the Act, and any board, body, authority, agency or political subdivision or other instrumentality of the State which shall hereafter succeed to the powers, duties and functions thereof.

Authority Program Reserve Fund shall mean the Authority Reserve Fund for Transportation Program Bonds established in Section 502.

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

Authorized Officer of the Authority shall mean the Chairperson, Vice-Chairperson, Treasurer, Secretary or Executive Director of the Authority or any other person or persons

designated by the Authority by resolution to act on behalf of the Authority under the Resolution. The designation of such person or persons shall be evidenced by a written, certificate containing the specimen signature of such person or persons and signed on behalf of the Authority by an Authorized Officer of the Authority.

Bond or Bonds shall mean any bonds, including Refunding Bonds, notes or Other Obligations, (other than Subordinated Debt), authenticated and delivered under and pursuant to the Resolution; provided, however, that as used in Articles III and IV hereto, the term "Bonds" shall not include Other Obligations.

Bond Counsel shall mean any lawyer or firm of lawyers nationally recognized in the field of municipal finance and satisfactory to the Authority.

Bond Payment Obligations shall mean the Authority's obligation to pay the principal or Redemption Price of and interest on the Bonds, including Bonds held by Financing Facility Providers and Liquidity Providers.

Bond Registrar shall mean the Trustee and any other 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 Bond Registrar enumerated in Sections 304 and 703.

Bondholder or Holder of Bonds or Holder shall mean any person who shall be the registered owner of any Bond or Bonds. A Financing Facility Provider or Liquidity Provider which owns Bonds by purchase or is subrogated to the rights of Bondholders is a Bondholder for purposes of this Resolution.

Business Day shall mean any day that is not a Saturday, Sunday or legal holiday in the State (or the state in which the principal office of the Trustee is located) or a day on which banking institutions chartered by the State (or the state in which the principal office of the Trustee is located) or the United States are legally authorized or required to close or a day on which the New York Stock Exchange is closed.

Capital Appreciation Bonds shall mean those Bonds as to which interest is compounded on each of the applicable Accretion Dates designated for compounding and payable in an amount equal to the then current Accreted Value only at the maturity, earlier redemption or other payment date therefor, all as so designated by the Supplemental Resolution or Series Certificate relating to the issuance thereof.

Code shall mean the Internal Revenue Code of 1986, as amended.

Commissioner shall mean the Commissioner of the New Jersey Department of Transportation.

Convertible Capital Appreciation Bonds shall mean any Bonds as to which accruing interest is not paid prior to the Interest Commencement Date specified in the Supplemental Resolution or Series Certificate authorizing such Bonds and the Appreciated Value for such Bonds is compounded on each of the applicable Accretion Dates designated for compounding prior to the

Interest Commencement Date for such Convertible Capital Appreciation Bonds, all as so designated by the Supplemental Resolution or Series Certificate relating to the issuance thereof.

Debt Service shall mean, with respect to any Series and with respect to each Payment Date for such Series, the principal and Redemption Price of and accrued interest coming due and payable on such Series on such Payment Date.

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 Securities" and (v) obligations described in clause (x) of the definition of "Investment Securities" 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.

Depository shall mean any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the Authority as a depository of moneys and securities held under the provisions of the Resolution and may include the Trustee.

Event of Default shall have the meaning given to such term in Section 801.

Event of Non-Appropriation shall be deemed to have occurred hereunder if the Legislature shall fail to appropriate funds to the Authority for any Fiscal Year in an amount sufficient to pay, when due, the Authority's Bond Payment Obligations and Financing Facility Payment Obligations coming due in such Fiscal Year.

Fiduciary or Fiduciaries shall mean the Trustee, the Depositories, the Paying Agents, the Bond Registrar, the Calculation Agent, the Tender Agent 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, including Swap Agreements and Liquidity Facilities, approved by the Authority in connection with the Bonds.

Financing Facility Payment Obligations shall mean all payment and reimbursement obligations of the Authority to a Financing Facility Provider in connection with any Financing Facility securing or entered into in connection with all or a portion of any Series of Bonds.

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, Inc.

Fund or Funds shall mean, as the case may be, each or all of the Funds established in Section 502.

Interest Commencement Date shall mean, with respect to any particular Convertible Capital Appreciation Bond, the date, which must be an Interest Payment Date, specified in the Supplemental Resolution or Series Certificate authorizing such Bond (which date must be prior to the maturity date for such Bond) after which interest accruing on such Bond shall be payable semiannually, with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

Interest Payment Date shall mean, with respect to a Series of Bonds, each date set forth in the Supplemental Resolution or Series Certificate authorizing such Series of Bonds on which accrued interest on the Bonds of such Series shall be payable.

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 any two Rating Agencies then rating the Bonds 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 funds shall be collateralized by at least one hundred two percent (102%) in principal amount of Investment Securities, as the same may be amended from time to time.

Investment Securities 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 by 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 tow 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 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 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 a Payment Date (or, if held in a Fund other than the Program Debt Service 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 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 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 sub-categories 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 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 Agreements; and

(xv) Any other investment approved in writing by the Treasurer.

Legislature shall mean New Jersey State Legislature.

Liquidity Facility shall mean any letter of credit, line of credit or standby loan commitment or similar arrangement made available to fund repurchases of Variable Interest Rate Bonds or Subordinated Debt upon maturity or mandatory or optional tender of such obligations,

approved by the Authority in connection with the Variable Interest Rate Bonds; such Liquidity Facility may be part of, or separate from, any other Financing Facility supporting such obligations.

Liquidity Provider shall mean the issuer of a Liquidity Facility.

Maximum Interest Rate shall mean, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, which shall be set forth in the Supplemental Resolution or Series Certificate authorizing such Variable Interest Rate Bond that shall be the maximum rate of interest such Variable Interest Rate Bond may at any time bear.

Month shall mean a calendar month.

Moody's shall mean Moody's Investors Service.

Non Proceeds Account shall mean the Non Proceeds Account within the Transportation Program Improvement Fund established in Section 502.

Opinion of Counsel or Opinion shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds (who may be general, special or Bond Counsel to the Authority).

Option Bonds shall mean Bonds which by their terms may be tendered by and at the option of the Holders thereof for payment by the Authority prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

Other Obligations shall mean bank loan agreements, lines of credit and other security agreements, and any other form of indebtedness which the Authority is authorized to enter into or obtain to provide direct payment of any costs which the Authority is authorized to pay pursuant to the Act.

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

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 406 or Section 1106;

(iv) Bonds deemed to have been paid as provided in subsections 2 or 3 of Section 1201; and

(v) Option Bonds deemed tendered in accordance with the provisions of the Supplemental Resolution or Series Certificate authorizing such Option Bonds on the applicable tender date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution.

Parity Financing Facility Payment Obligations shall mean Financing Facility Payment Obligations which, by the terms of the Supplemental Resolution or Series Certificate authorizing the Financing Facility to which such Financing Facility Payment Obligations relate, are on a parity with the Bond Payment Obligations.

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

Payment Date shall mean each date on which any payment of principal or Redemption Price or interest with respect to any Bonds or payment of any Financing Facility Payment Obligations shall be due and payable.

Pledged Property shall mean (a) with respect to the Bond Payment Obligations and, to the extent provided in any Supplemental Resolution or Series Certificate authorizing a Series which is to be secured, in whole or in part, by, or payable, in whole or in part, from, a Financing Facility, the applicable Financing Facility Payment Obligations, the State Contract, the Revenues and Funds, other than the Program Rebate Fund and the Proceeds Account of the Transportation Program Improvement Fund, including Investment Securities held in any such Fund hereunder, together with all proceeds and revenues of the foregoing and all of the Authority's right, title and interest in and to the foregoing, and all other moneys, securities or funds pledged for the payment of the Bonds in accordance with the terms and provisions of this Resolution, (b) with respect to any Series of Bonds in connection with which the Authority has obtained a Financing Facility, and to the extent provided in the applicable Supplemental Resolution or Series Certificate, the applicable Financing Facility and Financing Facility Revenues and all moneys from time to time held in any applicable subaccount within the Program Debt Service Fund and (c) with respect to any Subordinated Debt, the amounts, if any, on deposit from time to time in the Program Subordinated Debt Fund and available for such payment.

Proceeds Account shall mean the Proceeds Account within the Transportation Program Improvement Fund established in Section 502.

Program Debt Service Fund shall mean the Debt Service Fund for Transportation Program Bonds established in Section 502.

Program Rebate Fund shall mean the Rebate Fund for Transportation Program Bonds established in Section 502.

Program Subordinated Debt Fund shall mean the Subordinated Debt Fund for Transportation Program Bonds established in Section 502.

Program Subordinated Payment Obligations Fund shall mean the Subordinated Payment Obligations Fund for Transportation Program Bonds established in Section 502.

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

Record Date shall mean with respect to an Interest Payment Date for a particular Series of Bonds, unless otherwise provided by the Supplemental Resolution or Series Certificate authorizing such Series, the fifteenth day next preceding such Interest Payment Date.

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

Refunding Bonds shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 203, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 406 or Section 1106.

Related Swap Bonds shall mean, with respect to and during the term of any Swap Agreement, the Bonds to which such Swap Agreement relates, as specified in the applicable Supplemental Resolution or Series Certificate authorizing such Swap Agreement or any subsequent Supplemental Resolution or Series Certificate.

Related Swap Bond Payment Obligations shall mean, with respect to any Related Swap Bonds, that portion of the interest on such Bonds payable from Swap Revenues as set forth in the applicable Supplemental Resolution or Series Certificate.

Resolution shall mean this 2012 Transportation Program Bond Resolution as from time to time amended or supplemented by Supplemental Resolutions and Series Certificates in accordance with the terms hereof.

Revenues shall mean (i) all amounts appropriated and paid to the Authority from the Transportation Trust Fund Account - Subaccount for Debt Service for Transportation Program Bonds in the State General Fund pursuant to the Act, (ii) all amounts appropriated and paid to the

Authority by the Treasurer pursuant to the State Contract, (iii) all Swap Revenues, and (iv) interest received or to be received on any moneys or securities held pursuant to the Resolution and paid or required to be paid into the Transportation Program Improvement Fund – Non Proceeds Account; provided, however, that the term "Revenues" shall not include Financing Facility Revenues or "Revenues" as defined in any other resolution of the Authority.

S&P shall mean Standard & Poor's Rating Group.

Series shall mean all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental 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 or Section 406 or Section 1106, regardless of variations in maturity, interest rate, redemption provisions or other provisions.

Series Certificate shall mean a certificate executed by an Authorized Officer of the Authority making certain determinations in connection with the issuance of a Series of Bonds or Subordinated Debt pursuant to the Supplemental Resolution providing for, among other items, the issuance of such Series of Bonds or Subordinated Debt. Each Series Certificate, upon execution and delivery, shall be deemed to be a part of the applicable Supplemental Resolution.

State shall mean the State of New Jersey.

State Contract shall mean the Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with respect to Transportation Program Bonds to be entered into among the Treasurer, the Commissioner and the Authority prior to the issuance of the first Series of Bonds under this Resolution, together with any and all amendments and supplements thereto, and any other contract or contracts entered into by the Authority and the State or officers of the State pursuant to the Act which contract or contracts provide) among other things, for the credit of amounts to the Transportation Trust Fund Account - Subaccount for Debt Service for Transportation Program Bonds and for payment, subject to appropriation, to the Authority of the amounts so credited pursuant to the Act.

State Transportation System Costs shall mean any and all purposes for which the Authority is authorized to issue Bonds and Subordinated Debt pursuant to the Act.

Subordinated Debt shall mean indebtedness issued pursuant to and complying with the provisions of Section 512.

Subordinated Financing Facility Payment Obligations shall mean Financing Facility Payment Obligations which, by the terms of the Supplemental Resolution or Series Certificate authorizing the Financing Facility to which such Financing Facility Payment Obligations relate, are subject and subordinate to the Bond Payment Obligations.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Authority in accordance with Article X hereof.

Swap Agreement shall mean any agreement between the Authority and a Swap Provider confirming a transaction which is a rate swap transaction, basis swap, forward rate transaction,

bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, corridor transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of these transactions, approved by the Authority and the Treasurer in connection with the Bonds.

Swap Payment Obligations shall mean, for any period of time and with respect to any Related Swap Bonds, all net amounts payable by the Authority (including Swap Termination Payments payable by the Authority) under any Swap Agreement in respect of such Related Swap Bonds.

Swap Provider shall mean the Authority's or the Trustee's counterparty under a Swap Agreement.

Swap Revenues shall mean all amounts received by the Authority or the Trustee pursuant to any Swap Agreement, including without limitation any Swap Termination Payment.

Swap Revenues Subaccount shall mean the Swap Revenues Subaccount within the Program Debt Service Fund established in Section 506.

Swap Termination Payment shall mean, with respect to any Swap Agreement, any settlement amount payable by the applicable Swap Provider or the Authority by reason or on account of the early termination of such Swap Agreement. The term "Swap Termination Payment" shall not include net unpaid amounts which would have been payable by the Swap Provider or the Authority pursuant to the terms of the applicable Swap Agreement irrespective of the early termination of such Swap Agreement.

Transportation Program Improvement Fund shall mean the Transportation Improvement Fund for Transportation Program Bonds established in Section 502.

Treasurer shall mean the Treasurer of the State of New Jersey.

Trustee shall mean the Trustee to be appointed pursuant to the Series Certificate authorizing the first Series of Bonds to be issued under the Resolution, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

Variable Interest Rate shall mean a variable interest rate to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds. The method of computing such variable interest rate shall be as specified in the Supplemental Resolution or Series Certificate authorizing such Series of Bonds.

Variable Interest Rate Bonds for any period of time, shall mean Bonds which during such period bear a Variable Interest Rate, provided that Bonds the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be Variable Interest Rate Bonds.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, districts, agencies and bodies.

SECTION 102. Authority for the Resolution. This Resolution is adopted pursuant to the provisions of the Act.

SECTION 103. Resolution to Constitute Contract.

(a) 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 the 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 the Resolution and the covenants and agreements therein 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 the Resolution.

(b) To the extent provided in any Supplemental Resolution or Series Certificate authorizing a Series of Bonds, (i) any and all Bonds of such Series may be secured by and payable from, in whole or in part, a Financing Facility, (ii) the security interest granted and the pledge and assignment made in the Resolution may also secure, on a parity with or subject and subordinate to, all other Bonds issued under the Resolution, the Authority's Financing Facility Payment Obligations with respect thereto, provided however, that the aggregate amount of indebtedness which may be secured by this Resolution with respect to any Series of Bonds on a parity with all other Bonds issued or to be issued under the Resolution may not exceed the aggregate principal amount of, premium, if any, and interest on the Bonds of such Series, and (iii) Related Swap Bond Payment Obligations may be payable solely from the applicable Swap Revenues, and such Swap Revenues may be pledged solely to and shall be applied solely for the payment of such Related Swap Bond Payment Obligations.

(c) To the extent provided in any Supplemental Resolution or Series Certificate, or any other resolution of the Authority, authorizing the issuance of Subordinated Debt meeting the requirements set forth in Section 512, the security interest granted and the pledge and assignment made in the Resolution may also secure such Subordinated Debt but only to the extent of amounts if any, from time to time on deposit in the Program Subordinated Debt Fund and available for payment of Subordinated Debt, and subject and subordinate to the security interest granted and the pledge and assignment of such amounts made in the Resolution for the benefit of the Bonds and the Financing Facility Payment Obligations.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS AND SUBORDINATED DEBT

SECTION 201. Authorization of Bonds.

1. The Authority is hereby authorized to issue from time to time, as hereinafter provided, Bonds of the Authority to be designated as "Transportation Program Bonds," or in the case of notes or Other Obligations, such designation as shall be set forth in the Supplemental Resolution or Series Certificate authorizing such notes or Other Obligations. The aggregate principal amount of the Bonds and Subordinated Debt which may be executed, authenticated and delivered under the Resolution is not limited except as the aggregate principal amount of Bonds and Subordinated Debt which may be executed, authenticated and delivered may be limited by the Act or any other applicable law.

2. The Bonds may be issued in one or more Series, and the designation thereof, in addition to the name "Transportation Program Bonds" (where applicable), shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the Authority may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

3. Nothing in the Resolution shall be deemed to preclude or prevent the consolidation into a single Series for purposes of issuance and sale of Bonds otherwise permitted by the Resolution to be issued at the same time in two or more separate Series, provided that solely for the purpose of satisfying the requirements of Section 202 or Section 203, as the case may be, the Bonds otherwise permitted by the Resolution to be issued as a separate Series shall be considered separately as if such Bonds were to be issued as a separate Series. In the event that separate Series are combined for purposes of issuance and sale, they may be issued under a single Supplemental Resolution notwithstanding any other provision of the Resolution.

SECTION 202. General Provisions for Issuance of Bonds.

1. All (but not less than all) the Bonds of each Series shall be executed by the Authority for issuance under the Resolution and, except as otherwise provided in any Supplemental Resolution or Series Certificate authorizing Other Obligations, delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Authority or upon its order, but only upon the receipt by the Trustee, or in the case of Other Obligations provision by the Authority of:

(1) A copy of the Resolution certified by an Authorized Officer of the Authority;

(2) A copy of the Supplemental Resolution authorizing such Bonds and a copy of the Series Certificate, if any, relating to such Bonds. The Supplemental Resolution and the Series Certificate, if any, shall each be certified by an Authorized

Officer of the Authority, and shall, among other provisions, specify: (a) the authorized maximum principal amount, designation and Series of such Bonds; (b) the purposes for which such Series of Bonds are being issued, which shall be (i) the payment of State Transportation System Costs, (ii) the refunding of Bonds as provided in Section 203 or (iii) any other lawful purpose permitted under the Act; (c) the date, and the maturity date or dates, of the Bonds of such Series; (d) if any Bonds of such Series are current interest Bonds, 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, and if any Bonds of such Series are Capital Appreciation Bonds or Convertible Capital Appreciation Bonds, the Accreted Value or Appreciated Value, as the case may be, on each Accretion Date, and if any Bonds of such Series are Variable Interest Rate Bonds the Maximum Interest Rate for such Bonds, and the provisions, if any, as to the calculation or change of such Variable Interest Rates; (e) the denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series; (f) the Redemption Price or Prices or prepayment price or prices, if any, and, subject to Article IV, the redemption or prepayment terms for the Bonds of such Series; (g) provisions for the sale of the Bonds of such Series; (h) the amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Series of Bonds or other sources in the Program Debt Service 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; (i) the amount if any, to be deposited from the proceeds of such Series of Bonds in the Authority Program Reserve Fund; (j) the form of the Bonds of such Series and the form of the Trustee's certificate of authentication (if applicable), which forms shall be, respectively, substantially in the forms set forth in Section 1301, with such variations omissions or insertions as are required or permitted by the Resolution; (k) with regard to Option Bonds, provisions regarding tender and payment of the purchase price thereof; (l) provisions, if any, for furnishing a Financing Facility with respect to such Series; and (m) such other provisions as the Authority may deem necessary or desirable in connection with the issuance of such Series of Bonds. Notwithstanding the foregoing, the Authority may delegate to an Authorized Officer of the Authority the authority to determine by Series Certificate any of the matters that are required to be set forth in a Supplemental Resolution other than the maximum principal amount of the Bonds of such Series, the final maturity date of the Bonds of such Series and, if the Bonds of such Series are not to be sold by competitive sale, the maximum interest rate (whether or not the Bonds of such Series are Variable Interest Rate Bonds) or true interest cost with respect to such Bonds.

(3) An Opinion of Bond Counsel to the effect that (i) the Authority has the right and power under the Act to adopt the Resolution, to enter into the State Contract and to issue the Bonds of such Series; (ii) the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Resolution is required; (iii) the Resolution creates the valid pledge which it purports to create of the Pledged Property; (iv) the Bonds of such Series have been duly and validly authorized and issued by the Authority in accordance with the Constitution and the statutes of the State, including the Act, and the Resolution, constitute valid and binding obligations of the Authority as provided in the Resolution and 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; (v) the State Contract is in full force and effect and is valid and binding upon the Authority and the Treasurer and enforceable against the Authority and the Treasurer in accordance with its terms, and the Bonds of such Series are entitled to the benefits of the State Contract; provided, that such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity affecting creditors' rights generally and judicial discretion and may state that no opinion is being rendered as to the availability of any particular remedy;

(4) A written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority;

(5) A certificate of an Authorized Officer of the Authority stating that the Authority is not, or upon the issuance of such Series of Bonds will not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution;

(6) With respect to each Series of Bonds a certificate of an Authorized Officer of the Authority stating that the issuance of such Series of Bonds will not result in the incurrence of debt by the Authority in the applicable Fiscal Year in excess of the amount of debt permitted to be incurred by the Authority in such Fiscal Year pursuant to the Act; and

(7) Such further documents, moneys, securities and evidences of deposit of funds with the Trustee as are required by the provisions of Section 203 or Article X or the Supplemental Resolution or Series Certificate authorizing such Series of Bonds.

2. After the original issuance of 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 or Section 406 or Section 1106.

SECTION 203. Refunding Bonds.

1. One or more Series of Refunding Bonds may be issued at any time to refund Outstanding Bonds of one or more Series or one or more maturities within a Series or any Bonds of one or more maturities within one or more Series. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding including, without limitation, the payment of the costs of issuance of such Refunding Bonds) and to make the deposits in the Funds and Accounts under the Resolution required by the provisions of the Supplemental Resolution or Series Certificate authorizing such Refunding Bonds.

2. Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee in addition to the documents required by Section 202 of:

(1) Instructions to the Trustee, satisfactory to it, to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions;

(2) If the Bonds to be refunded are not by their terms subject to redemption or will not be redeemed within the next succeeding sixty (60) days, instructions to the Trustee, satisfactory to it, to mail the notice provided for in Section 1201 to the Holders of the Bonds being refunded; and

(3) Either (i) moneys (including moneys withdrawn and deposited pursuant to subsection 4 of Section 506) in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of subsection 2 of Section 1201, which Defeasance Securities and moneys shall be held in trust and used only as provided in said subsection 2; provided, however, that if the Authority determines, in its absolute discretion, to refund Variable Interest Rate Bonds without defeasing such Variable Interest Rate Bonds pursuant to subsection 1 or 2 of Section 1201, in applying this paragraph (3) to such Variable Interest Rate Bonds, interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the highest interest rate per annum borne by such Variable Interest Rate Bonds during the twelve (12) month period immediately preceding such date of determination, plus one percent (1.00%) per annum.

(4) Such further documents and moneys as are required by the provisions of Article X or any Supplemental Resolution or Series Certificate authorizing such Refunding Bonds.

3. The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Refunding Bonds for the purposes of making deposits in such Funds and Accounts under the Resolution as shall be provided by the Supplemental Resolution or Series Certificate authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Resolution or Series Certificate.

SECTION 204. Subordinated Debt. The Authority is hereby authorized to issue from time to time Subordinated Debt, the provisions for issuance and general terms and provisions of which shall be as set forth in the Supplemental Resolution or Series Certificate authorizing such Subordinated Debt, subject however, in all cases, to the provisions of Section 512.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS AND OTHER OBLIGATIONS

SECTION 301. Medium of Payment: Form and Date; Letters and Numbers.

1. The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

2. The Bonds of each Series may be issued only in the form of fully registered Bonds without coupons, and unless otherwise authorized by a Supplemental Resolution or Series Certificate, the Bonds of each Series shall be in substantially the form set forth in Section 1301 or substantially in the form set forth in the Supplemental Resolution or Series Certificate authorizing such Series.

3. Each Bond shall be lettered and numbered as provided in the Resolution or the Supplemental Resolution or Series Certificate authorizing the Series of which such Bond is a part and so as to be distinguished from every other Bond.

4. Except as may be otherwise provided for any Series of Bonds in the Supplemental Resolution or Series Certificate authorizing such Series of Bonds the Bonds of each Series shall be dated as of the Interest Payment Date next preceding the date of authentication thereof by the Trustee, unless such date of authentication shall be an Interest Payment Date in which case they shall be dated as of such date of authentication; provided, however, that if, as shown by the records of the Trustee, interest on the Bonds of any Series shall be in default, the 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; provided, further, that if the date of authentication shall be prior to the first Interest Payment Date for the Bonds of such Series Bonds shall be dated as provided in the Supplemental Resolution or Series Certificate authorizing the Bonds of such Series. Bonds of each Series shall bear interest from their date.

SECTION 302. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Resolution as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the Authority prior to the authentication and delivery thereof.

SECTION 303. Execution and Authentication.

1. The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chairperson, Vice Chairperson or Executive Director and its seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary, or in such other manner as may be required or permitted by law. In case any one or more of the officers of the Authority who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been authenticated and delivered by the Trustee such Bonds may nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of the Authority by such persons as at the time of the execution of such Bonds shall be duly authorized or hold the proper office in the Authority, although at the date borne by the Bonds of such Series such persons may not have been so authorized or have held such office.

2. The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in Section 1301, executed manually by the Trustee. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Resolution, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the Authority shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under the Resolution and that the Holder thereof is entitled to the benefits of the Resolution.

SECTION 304. Exchange, Transfer and Registry.

1. The Bonds shall be transferable only upon the books of the Authority which shall be kept for such purposes at the principal corporate trust office of the Bond Registrar, by the registered owner thereof in person or by such registered owner's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or such registered owner's duly authorized attorney. Upon the transfer of any Bond the Authority shall issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond. For purposes of the Resolution, Option Bonds which are required to be tendered pursuant to the provisions of the Resolution shall be deemed surrendered for transfer even though such Bonds have not been actually delivered.

2. The registered owner of any Bond or Bonds of one or more denominations shall have the right to exchange such Bond or Bonds for a new Bond or Bonds of any denomination as the same aggregate principal amount and Series and maturity (and if applicable, interest rate within a maturity) of the surrendered Bond or Bonds. Such Bond or Bonds shall be exchanged by the Authority for a new Bond or Bonds upon the request of the registered owner thereof in person or by such registered owner's attorney duly authorized in writing, upon surrender of such Bond or Bonds together with a written instrument requesting such exchange satisfactory to the Bond Registrar duly executed by the registered owner or such registered owner's duly authorized attorney.

3. 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 for the payment of the purchase price of any Option Bond tendered to the Authority and for all other purposes, and all such payments so made to any such registered owner or upon such registered owner's 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.

SECTION 305. Regulations with Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging or transferring Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Resolution. All Bonds surrendered in any such exchange or transfer shall forthwith be delivered to the Trustee and cancelled by the Trustee. 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 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 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, (b) to transfer or exchange any Bonds called for redemption or (c) to transfer or exchange any Option Bonds called for mandatory purchase.

SECTION 306. Bonds Mutilated, Destroyed, Stolen or Lost. If any Bond becomes mutilated or is lost, stolen or destroyed, the Authority may execute and the Trustee shall authenticate and deliver a new Bond of like Series, date of issue, maturity date, principal amount and interest rate per annum as the Bond so mutilated, lost, stolen or destroyed, provided that (i) in the case of such mutilated Bond, such Bond is first surrendered to the Authority, (ii) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to the Authority together with indemnity satisfactory to the Authority and the Trustee (iii) all other reasonable requirements of the Authority are complied with, and (iv) expenses in connection with such transaction are paid by the Holder. Any Bond surrendered for transfer shall be cancelled. 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 the Resolution, in any moneys or securities held by the Authority or any Fiduciary for the benefit of the Bondholders.

SECTION 307. Temporary Bonds.

1. Until the definitive Bonds of any Series 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 shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions limitations and conditions as the definitive Bonds, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Authority at its own expense shall prepare and execute and, upon the surrender of such temporary Bonds for exchange and the cancellation of such surrendered temporary Bonds, the Trustee shall authenticate and, without charge to the Holder thereof, deliver in exchange therefor, definitive Bonds of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to the Resolution.

2. All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

SECTION 308. Other Obligations. The general terms and provisions of any Other Obligations issued under this Resolution, including, but not limited to, any or all of the items set

forth in this Article III with respect to the issuance of Bonds shall be as set forth in the Supplemental Resolution or Series Certificate authorizing the issuance of such Other Obligations.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to a Supplemental Resolution or a Series Certificate 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 or Series Certificate authorizing such Series.

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, the Authority shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity (and, if applicable, interest rate within a maturity) of such Series to be redeemed (which Series, maturities, if applicable, interest rate within a maturity, and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution). Such notice shall be given at least forty (40) 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 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 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 the Resolution the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the Authority, 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 and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Article IV and, to the extent applicable, Sections 506 and 507.

SECTION 404. Selection of Bonds to be Redeemed. Unless otherwise provided in the 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 discretion may deem fair and appropriate; provided, however, that the portion of any Bond (other than a Capital Appreciation Bond or Convertible Capital Appreciation Bond prior to its Interest Commencement Date) 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. For purposes of this Section 404, if less than all of the Capital Appreciation Bonds or Convertible Capital Appreciation Bonds prior to their respective Interest Commencement Dates shall be called for prior redemption, the portion of any Capital Appreciation Bond or Convertible Capital Appreciation Bond of a denomination of more than $5,000 due at maturity to be redeemed shall be in the amount due at maturity of $5,000 or a multiple thereof, and, in selecting portions of such Capital Appreciation Bond or Convertible Capital Appreciation Bond for redemption, the Trustee shall treat such Capital Appreciation Bond or Convertible Capital Appreciation Bond as representing that number of Capital Appreciation Bonds or Convertible Capital Appreciation Bonds of $5,000 amount due at maturity which is obtained by dividing the amount due at maturity of such Capital Appreciation Bond or Convertible Capital Appreciation Bond to be redeemed in part by $5,000.

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, and when redemption of Bonds is authorized or required pursuant to Section 403, 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 (and, if applicable, interest rate within a maturity) of the Bonds to be redeemed, 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 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, postage prepaid, not less than twenty-five (25) days (or such other period as may be specified in the Supplemental Resolution or Series Certificate authorizing the Bonds to be redeemed) prior to the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure of the registered owner of any Bonds which are to be redeemed to receive any notice shall not affect the validity of the proceedings for the redemption of the Bonds.

If at the time of the mailing of notice of redemption, the Authority shall not have deposited with the Trustee or the Paying Agent, as applicable, moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is conditional and subject to the deposit of the redemption moneys with the Trustee or the Paying Agent, as applicable, on the Redemption Date, and such notice shall be of no effect unless such moneys are so deposited.

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 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 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 Bond so surrendered, Bonds of like Series and maturity in any authorized denominations. If, on the redemption date, moneys for the redemption of all of the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest 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.

SECTION 407. Adjustment of Sinking Fund Installments Upon Redemption of Bonds. Upon any purchase or redemption (other than mandatory sinking fund redemption) of Bonds of any Series and maturity for which sinking fund redemption provisions shall have been established, there shall be credited toward each such sinking fund installment thereafter to become due, unless otherwise directed by the Authority, an amount bearing the same ratio to such sinking fund installment as the total principal amount of such Bonds so purchased or redeemed bears to the total amount of all such sinking fund installments to be so credited.

SECTION 408. Redemption or Prepayment of Other Obligations. Other Obligations shall be subject to redemption or prepayment at such times, if any, and subject to such terms and conditions as shall be set forth in the Supplemental Resolution or Series Certificate authorizing such Other Obligations.

SECTION 409. Mandatory Tender for Purchase of Bonds in Lieu of Optional Redemption. Whenever any Bonds are subject to redemption at the option of the Authority, the Authority may, upon written notice to the Trustee and the delivery of an opinion of Bond Counsel that such action will not adversely affect the tax-exempt status of any Outstanding Bonds, elect to call such Bonds for mandatory tender for purchase in lieu of optional redemption at a purchase price equal to the then applicable Redemption Price of such Bonds. The Authority shall give written notice to the Trustee of its election pursuant to this Section 409 not less than two (2) Business Days prior to the date on which the Trustee is required to give notice of such mandatory tender for purchase to the Bondholders (or such shorter period as shall be acceptable to the Trustee). The provisions of this Resolution or any Supplemental Resolution or Series Certificate applicable to the redemption of Bonds at the option of the Authority shall also apply to a mandatory tender for purchase of such Bonds in lieu of optional redemption at the Authority's election pursuant to this Section 4.09.

ARTICLE V

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

SECTION 501. The Pledge Effected by the Resolution.

1. The Bonds are special obligations of the Authority payable solely from the Pledged Property. The Revenues and all other Pledged Property are hereby pledged and a security interest is herein granted to secure the payment of the Bond Payment Obligations and the Financing Facility Payment Obligations; provided, however, that the pledge and security interest herein granted to secure the Authority's obligation to pay Subordinated Financing Facility Payment Obligations shall be subject and subordinate to the pledge and security interest herein granted to secure Bond Payment Obligations and Parity Financing Facility Payment Obligations. This pledge shall be valid and binding from and after the time of delivery by the Trustee of the first Bond authenticated and delivered hereunder.

2. The Revenues and all other Pledged Property so pledged and then or thereafter received by the Authority shall immediately be subject to the lien of such pledge without any physical delivery or further act, and the lien of such pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such persons have notice thereof.

3. Nothing contained in this Section 501 shall be construed as limiting any authority granted to the Authority elsewhere in the Resolution to issue Subordinated Debt under the Resolution or any other resolution of the Authority or shall be deemed a limitation upon the authority of the Authority to issue bonds, notes or other Obligations under the Act secured by other income and funds other than the Revenues and other Pledged Property, including, without limitation, bonds, notes or other obligations secured by federal or State grants; provided, however, that the pledge and security interest herein granted to secure the Authority's obligation to pay Subordinated Debt shall be subject and subordinate to the pledge and security interest herein granted to secure Bond Payment Obligations and Parity Financing Facility Payment Obligations.

4. **BONDS, NOTES AND OTHER OBLIGATIONS OF THE AUTHORITY SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY) AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE STATE OR OF ANY POLITICAL SUBDIVISION (OTHER THAN THE AUTHORITY) OR BE OR CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION BUT ALL BONDS, NOTES AND OBLIGATIONS SHALL BE PAYABLE SOLELY FROM THE REVENUES OR OTHER FUNDS PLEDGED OR AVAILABLE FOR THEIR PAYMENT UNDER THE RESOLUTION AND THE ACT. THE AUTHORITY HAS NO TAXING POWER.**

5. **THE INCURRENCE OF ANY OBLIGATION BY THE STATE OR THE TREASURER UNDER THE STATE CONTRACT, INCLUDING ANY AND ALL TRANSFERS AND PAYMENTS TO BE MADE THEREUNDER FROM THE GENERAL FUND OF THE STATE, SHALL BE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE LEGISLATURE FOR THE PURPOSES SET FORTH THEREIN AND IN THE ACT. THE OBLIGATION OF THE STATE OR THE TREASURER TO PAY THE AMOUNTS PROVIDED FOR IN THE STATE CONTRACT SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE AND SHALL BE DEEMED EXECUTORY ONLY TO THE EXTENT OF MONEYS APPROPRIATED, AND NO LIABILITY SHALL BE INCURRED BY THE STATE OR THE TREASURER BEYOND THE MONEYS THEN APPROPRIATED. FOR ALL**

PURPOSES OF THE STATE CONTRACT, THE REFERENCES TO THE STATE SHALL INCLUDE, WITHOUT LIMITATION, THE PRESENT AND ALL FUTURE LEGISLATURES OF THE STATE AND THE MEMBERS THEREOF.

SECTION 502. Establishment of Funds and Accounts. The following Funds and accounts are hereby established:

(1) Transportation Program Improvement Fund for Transportation Program Bonds, to be held by the Authority, in which shall be established two (2) accounts entitled the Non Proceeds Account and the Proceeds Account;

(2) Program Debt Service Fund, to be held by the Trustee;

(3) Program Subordinated Debt Fund, to be held by the Trustee;

(4) Authority Program Reserve Fund, to be held by the Authority;

(5) Program Subordinated Payment Obligations Fund, to be held by the Trustee; and

(6) Program Rebate Fund, to be held by the Trustee.

SECTION 503. Transportation Program Improvement Fund. (a) There shall be paid into the Proceeds Account of the Transportation Program Improvement Fund the proceeds of any Transportation Program Bonds required to be so paid by the provisions of the Resolution or any Supplemental Resolution or Series Certificate. There shall be paid into the Non Proceeds Account of the Transportation Program Improvement Fund all other amounts required to be so paid by the provisions of the Resolution or any Supplemental Resolution or Series Certificate, and there may be paid into the Non Proceeds Account of the Transportation Program Improvement Fund, at the option of the Authority, any moneys received by the Authority from any source, unless required to be otherwise applied as provided by the Resolution or any Supplemental Resolution or Series Certificate. Amounts in the Transportation Program Improvement Fund shall be applied to pay State Transportation System Costs.

(b) All Revenues shall be promptly deposited by the Authority upon receipt thereof into the Non Proceeds Account of the Transportation Program Improvement Fund. All amounts deposited in the Transportation Improvement Program Fund shall be used and applied by the Authority in accordance with the Act, the Resolution and any Supplemental Resolution or Series Certificate.

SECTION 504. Payments Into Certain Funds.

1. On or before each Payment Date with respect to each Series of Bonds, the Authority shall pay, credit or transfer from the Non Proceeds Account of the Transportation Program Improvement Fund to the Trustee for deposit to the Program Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the sum of the amounts of Debt Service on all Series of Bonds coming due on such Payment Date.

2. The Authority shall pay, credit or transfer from the Non Proceeds Account of the Transportation Program Improvement Fund to the Trustee for deposit into the Program Debt Service Fund the amount of any Financing Facility Payment Obligations on or before the due dates thereof.

3. Subject and subordinate at all times to the payments, credits or transfers required pursuant to paragraphs 1 and 2 of this Section 504, the Authority shall pay, credit or transfer from the Non Proceeds Account of the Transportation Program Improvement Fund to the Trustee for deposit into the Program Subordinated Debt Fund the amount of any principal, prepayment or redemption price, interest or other amounts payable m connection with any Subordinated Debt on or before the due dates thereof.

4. There shall be paid into the Authority Program Reserve Fund the amounts required to be so paid by the provisions of the Resolution or any Supplemental Resolution or Series Certificate.

5. The proceeds of each Series of Bonds issued under the Resolution shall be paid or deposited into such Funds or Accounts as shall be specified in the Supplemental Resolution or Series Certificate authorizing such Series of Bonds.

6. All Financing Facility Revenues shall be deposited in the Program Debt Service Fund and applied as provided in the Supplemental Resolution or Series Certificate pursuant to which the applicable Financing Facility was entered into or obtained.

7. The Authority and the Trustee shall transfer to the Program Rebate Fund such amounts from such Funds and Accounts and at such times as shall be specified in each arbitrage and tax certificate or similar certificate executed by the Authority in connection with the issuance of Bonds or Subordinated Debt or as otherwise advised in writing by Bond Counsel.

SECTION 505. Program Debt Service Fund.

1. The Trustee shall pay out of the Program Debt Service Fund to the respective Paying Agents as applicable (i) on or before each Interest Payment Date for any of the applicable Bonds, the amount required for the interest payable on such date; (ii) on or before the date when the principal of any applicable Bonds shall become due, the amount of principal coming due on such date; (iii) on or before any redemption date for the applicable Bonds, the amount required for the payment of the Redemption Price of and interest on such Bonds then to be redeemed; (iv) on or before any due date therefor the amount of any Parity Financing Facility Payment Obligation; and (v) as soon as reasonably practicable, the amount of any prior applicable Bond Payment Obligations which remain unpaid by reason of the occurrence of an Event of Non-Appropriation, together with, to the extent permitted by law, interest thereon at the rate then in effect on the applicable Bonds.

2. In the event of the refunding of any Bonds, the Trustee shall, if the Authority so directs, withdraw from the Program Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be

made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to subsection 2 of Section 1201.

3. Amounts may be deposited by the Authority, in its sole discretion in the Program Debt Service Fund with respect to the Bonds of any Series and maturity to be applied by the Trustee, if so directed by the Authority, on the date specified by the Authority, which date shall be at least twenty-five days (or such shorter period as shall be acceptable to the Trustee or authorized in the applicable Supplemental Resolution or Series Certificate) prior to the maturity date or the date of any Sinking Fund Installment of any Bonds of such Series, to (i) the purchase of Bonds of such Series and maturity or (ii) the redemption at the applicable Redemption Price of such Bonds, if then redeemable by their terms. All purchases of any Bonds pursuant to this subsection 3 shall be made at prices not exceeding the applicable Redemption Price of such Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed in writing from time to time by the Authority. All expenses in connection with the purchase or redemption of Bonds shall be paid by the Authority from the Authority Program Reserve Fund.

4. The Trustee shall establish within the Program Debt Service Fund a separate Account for each Series of Bonds. In addition, if provided in the Supplemental Resolution or Series Certificate authorizing any Series of Bonds with respect to which the Authority or the Trustee enters into or obtains a Financing Facility, the Trustee shall establish separate subaccounts within the Account established for the Bonds of such Series in the Program Debt Service Fund for the receipt and/or application of Financing Facility Revenues and the payment of the applicable Financing Facility Payment Obligations.

SECTION 506. [Reserved].

SECTION 507. Program Subordinated Debt Fund.

1. Subject to subsection 2 of this Section 507, the Trustee as directed by the Authority shall apply amounts in the Program Subordinated Debt Fund to the payment of the principal or redemption or prepayment price of and interest on each issue of Subordinated Debt and reserves therefor and to the payment of any Subordinated Financing Facility Payment Obligations in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, the Supplemental Resolution or Series Certificate or other resolution or debt instrument authorizing each issue of Subordinated Debt.

2. Notwithstanding any other provisions of this Section 507, if on any Payment Date for any Series of Bonds the amount on deposit in the Program Debt Service Fund shall be less than the Debt Service and Parity Financing Facility Payment Obligations coming due on such Payment Date with respect to such Series of Bonds, after giving effect to the transfer to the Program Debt Service Fund provided for in subsection 2 of Section 508, upon the direction of the Authority, the Trustee shall forthwith transfer from the Program Subordinated Debt Fund for deposit in the Program Debt Service Fund the amount necessary (or all moneys in the Program Subordinated Debt Fund, if necessary) to make up such deficiency.

SECTION 508. Authority Program Reserve Fund.

1. Amounts credited to the Authority Program Reserve Fund shall be applied from time to time by the Authority to the payment of its operating expenses. In addition, to the extent not required to be applied to its operating expenses, amounts on deposit in the Authority Program Reserve Fund may be (i) transferred to the Non Proceeds Account of the Transportation Program Improvement Fund in such amounts as may be determined by resolution of the Authority or (ii) used for the purchase or redemption of any Bonds, including without limitation Option Bonds tendered for purchase and not remarketed, or purchase or redemption of Subordinated Debt, and to provide for expenses in connection with the purchase or redemption of any Bonds or any reserves which the Authority determines shall be required for such purpose.

2. Notwithstanding any of the provisions of this Section 508, if on any Payment Date with respect to any Series of Bonds the amount on deposit in the Program Debt Service Fund shall be less than the Debt Service Requirement with respect to such Series and with respect to such Payment Date, the Authority shall forthwith transfer from the Authority Program Reserve Fund to the Trustee for deposit in the Program Debt Service Fund the amount necessary, (or all moneys in said Authority Program Reserve Fund, if necessary) to make up such deficiency.

SECTION 509. Program Rebate Fund. The Authority and the Trustee shall deposit amounts in the Program Rebate Fund, and the Trustee shall apply such amounts to make payments to the United States pursuant to Section 148 of the Code, all as provided in the arbitrage and tax certificate or similar certificates delivered in connection with the issuance of each Series of Bonds and Subordinated Debt or as otherwise advised in writing by Bond Counsel.

SECTION 510. Cancellation and Destruction of Bonds. Except as may be otherwise provided with respect to (a) Option Bonds in the Supplemental Resolution or Series Certificate providing for the issuance thereof or (b) Bonds purchased in lieu of redemption at the election of the Authority pursuant to Section 409 in a certificate of an Authorized Officer of the Authority, all Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with all Bonds purchased or redeemed pursuant to Section 505 which have been delivered to the Trustee and all Bonds purchased or redeemed by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled shall be destroyed by the Trustee, which 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 511. Subordinated Debt.

1. The Authority may, at any time, or from time to time, issue Subordinated Debt pursuant to a Supplemental Resolution or any other resolution of the Authority for any of its corporate purposes payable out of, and which may be secured by a pledge of, the Revenues as may from time to time be available for deposit to and deposited in the Program Subordinated Debt Fund for the purpose of payment thereof; provided, however, that such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Financing Facility Payment Obligations (which Parity

Financing Facility Payment Obligations are deemed to be included within the definition of the term "Bonds" for purposes of this Section 511 only).

2. The Authority may also, at any time or from time to time, issue Subordinated Debt to refund any Subordinated Debt issued as provided in this Section or to refund Outstanding Bonds of one or more Series or one or more maturities within a Series. Such Subordinated Debt issued for refunding purposes may be payable out of, and may be secured by a pledge of, the Revenues as may from time to time be available therefor, provided that any such payment or pledge shall be, and shall be expressed to be, subordinate and junior in all respects to the pledge and lien created under the Resolution as security for the Bonds.

3. The resolution, indenture or other instrument securing or evidencing each issue of Subordinated Debt shall contain provisions (which shall be binding on all holders of such Subordinated Debt) not more favorable to the holders of such Subordinated Debt than the following:

(a) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Authority or to its creditors, as such, or to its property and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Authority, whether or not involving insolvency or bankruptcy, the Holders of all Bonds then Outstanding shall be entitled to receive payment in full of all principal, premium, if any, and interest on all such Bonds before the holders of the Subordinated Debt are entitled to receive any payment from the trust estate under the Resolution consisting of the Revenues and Pledged Property held under the Resolution (hereinafter in this subsection referred to as the "Trust Estate") on account of principal (and premium, if any) and interest upon the Subordinated Debt.

(b) In the event that any issue of Subordinated Debt is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (a) above shall not be applicable), the Holders of all Bonds Outstanding at the time such Subordinated Debt so becomes due and payable because of such occurrence of such event of default shall be entitled to receive payment in full of all principal and interest on all such Bonds before the holders of the Subordinated Debt are entitled to receive any accelerated payment from the Trust Estate of principal (and premium, if any) or interest upon the Subordinated Debt.

(c) If any Event of Default with respect to the Bonds shall have occurred and be continuing (under circumstances when the provisions of (a) above shall not be applicable), the Holders of all Bonds then Outstanding shall be entitled to receive payment in full of all principal and interest on all such Bonds before the holders of the Subordinated Debt are entitled to receive any accelerated payment from the Trust Estate of principal (and premium, if any) or interest upon the Subordinated Debt.

(d) No Bondholder shall be prejudiced in his, her or its right to enforce the subordination of the Subordinated Debt by any act or failure to act on the part of the Authority.

(e) The Subordinated Debt may provide that the provisions of (a), (b), (c) and (d) above are solely for the purpose of defining the relative rights of the Holders of the Bonds on the one hand, and the holders of Subordinated Debt on the other hand, and that nothing therein shall impair, as between the Authority and the holders of the Subordinated Debt, the obligation of the Authority, which is unconditional and absolute, to pay to the holders thereof the principal thereof and premium, if any, and interest thereon in accordance with its terms, nor shall anything therein prevent the holders of the Subordinated Debt from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (a), (b), (c) and (d) above of the Holders of Bonds to receive cash property or securities otherwise payable or deliverable to the holders of the Subordinated Debt; and the Subordinated Debt may provide that, insofar as a trustee or paying agent for such Subordinated Debt is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Debt if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

4. Any issue of Subordinated Debt may have such rank or priority with respect to any other issue as may be provided in the Supplemental Resolution, resolution, indenture or other instrument securing such issue of Subordinated Debt and may contain such other provisions as are not in conflict with the provisions of the Resolution.

SECTION 512. Other Funds and Accounts. In addition to the Funds established pursuant to this Article V, the Authority shall have the right to establish additional Funds and Accounts by Supplemental Resolution and/or Series Certificate.

ARTICLE VI

DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

SECTION 601. Depositories.

1. All moneys held by the Trustee and the Authority under the provisions of the Resolution shall constitute trust funds and the Trustee and the Authority may deposit such moneys with one or more Depositories in trust for said parties. All moneys deposited under the provisions of the Resolution with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Resolution, and each of the Funds and Accounts established or to be established by the Resolution shall be a trust fund for the purposes thereof.

2. Each Depository shall be a 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 of $75,000,000 or more and willing and able to accept the office on

reasonable and customary terms and authorized by law to act in accordance with the provisions of the Resolution.

SECTION 602. Deposits.

1. All Revenues and moneys held by any Depository under the Resolution may be placed on demand or time deposit, if and as directed by the Authority provided that such deposit shall permit the moneys so held to be available for use at the time when needed. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Authority and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

2. All moneys held under the Resolution by the Trustee or any Depository shall be (a) either (1) insured by the Federal Deposit Insurance Corporation, as available or (2) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, Defeasance Securities having a market value not less than the amount of such moneys, and (b) held in such other manner as may then be required by applicable Federal or State laws and regulations and applicable state laws and regulations of the state in which the Trustee or such Depository (as the case may be) is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that, to the extent permitted by law, it shall not be necessary for the Fiduciaries to give security under this subsection 2 for the deposit of moneys with them held in trust and set aside by them for the payment of the principal or Redemption Price of or interest on any Bonds, or for the Trustee or any Depository to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

3. All moneys deposited with the Trustee and each Depository shall be credited to the particular Fund or Account to which such moneys belong and, except as provided with respect to the investment of moneys in Investment Securities in Section 603, the moneys credited to each particular Fund or Account shall be kept separate and apart from, and not commingled with, any moneys credited to any other Fund or Account or any other moneys deposited with the Trustee and each Depository.

SECTION 603. Investment of Certain Funds.

1. Moneys held in the Program Debt Service Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Defeasance Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund. Moneys held in the Transportation Program Improvement Fund, the Program Subordinated Debt Fund and the Authority Program Reserve Fund may be invested and reinvested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund. The Trustee shall

make all such investments of moneys held by it in accordance with written instructions from time to time received from any Authorized Officer of the Authority. In making any investment in any Investment Securities with moneys in any Fund or Account established under the Resolution, the Authority may instruct the Trustee or any Depository to combine such moneys with moneys in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

2. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned or any gain realized on any moneys or investments in such Funds or Accounts other than the Program Debt Service Fund shall be held for the benefit of the Non Proceeds Account of the Transportation Program Improvement Fund, and shall be paid into the Non Proceeds Account of the Transportation Program Improvement Fund on a periodic basis at least quarterly as shall be directed by the Authority. Interest earned or gain realized on any moneys or investments in the Program Debt Service Fund shall be held in such Fund for the purposes thereof.

3. Nothing in the Resolution shall prevent any Investment Securities acquired as investments of or security for funds held under the Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

4. Nothing in the Resolution shall preclude the Trustee from investing or reinvesting moneys through its bond department; provided, however, that the Authority may, in its discretion, direct that such moneys be invested or reinvested in a manner other than through such bond department.

SECTION 604. Valuation and Sale of Investments.

1. Obligations purchased as an investment of moneys in any Fund or Account created under the provisions of the Resolution shall be deemed at all times to be a part of such Fund or Account and any profit realized from the liquidation of such investment shall be credited to such Fund or Account, and any loss resulting from the liquidation of such investment shall be charged to the respective Fund or Account.

2. In computing the amount in any Fund or Account created under the provisions of the Resolution for any purpose provided in the Resolution, obligations purchased as an investment of moneys therein shall be valued at the amortized cost thereof. The accrued interest paid in connection with the purchase of any obligation shall be included in the value thereof until interest on such obligation is paid. Such computation shall be determined as of January 1 in each year and at such other times as the Authority shall determine.

3. Except as otherwise provided in the Resolution, the Trustee or any Depository shall use its best efforts to sell at the best price obtainable, or present for redemption, any obligation so purchased as an investment whenever it shall be requested in writing by an Authorized Officer of the Authority so to do. Whenever it shall be necessary, or upon direction of the Authority in accordance with the Resolution, in order to provide moneys to meet any payment or transfer from any Fund or Account held by the Trustee or any Depository, the Trustee or any Depository shall use its best efforts to sell at the best price obtainable or present

for redemption such obligation or obligations designated by an Authorized Officer of the Authority necessary to provide sufficient moneys for such payment or transfer.

4. The Trustee shall not be liable or responsible for any loss resulting from any such investment, sale or presentation for investment made in the manner provided above.

ARTICLE VII

PARTICULAR COVENANTS OF THE AUTHORITY

The Authority covenants and agrees with the Trustee and the Bondholders as follows:

SECTION 701. Payment of Bonds. The Authority shall duly and punctually pay or cause to be paid, but solely from the Pledged Property, (a) 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, and (b) the amount of every Financing Facility Payment Obligation as and when the same become due.

SECTION 702. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of Revenues or Funds established by the Resolution, including the investments, if any, thereof, pledged under the Resolution or the moneys (except moneys held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Fiduciaries, except subject to the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Authority to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 703. Offices for Servicing Bonds. The Authority shall at all times maintain one or more agencies in the State, 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 Bond Registrar and the Trustee 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 the Resolution, and the Trustee shall continuously maintain or make arrangements to provide such services. The Authority hereby appoints the Paying Agent or Agents in such cities as its respective agents to maintain such agencies for the payment or redemption of Bonds.

SECTION 704. Further Assurance. 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, Revenues and other moneys, securities and funds hereby pledged, or intended so to be, or which the Authority may become bound to pledge.

SECTION 705. Power to Issue Bonds and Pledge of Pledged Property. The Authority is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the Pledged Property purported to be subjected to the lien of the Resolution in the manner and to the extent provided in the Resolution. The Pledged Property so pledged is and will be free and clear of any pledge lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with the pledge and assignment created by the Resolution, and all action on the part of the Authority to that end has been and will be duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally binding obligations of the Authority. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property pledged under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

SECTION 706. 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 Pledged Property held or set aside by the Fiduciaries under the Resolution and shall not create or cause to created any lien or charge on the Pledged Property, provided, however, that nothing contained in the Resolution shall prevent the Authority from issuing, if and to the extent permitted by law (i) evidences of indebtedness payable out of or secured by a pledge and assignment of the Pledged Property on and after such date as the pledge of the Pledged Property provided in the Resolution shall be discharged and satisfied as provided in Section 1201 or (ii) Subordinated Debt.

SECTION 707. State Contract. The Authority shall collect and forthwith cause to be deposited with a Depository in the Non Proceeds Account of the Transportation Program Improvement Fund all amounts, if any, payable to it pursuant to the State Contract. The Trustee, as the assignee of the Authority, shall enforce the provisions of the State Contract and agreements thereunder. The Authority will not consent or agree to or permit any amendment, change or modification to the State Contracts which would reduce the amounts payable to the Authority or extend the times when such payments are to be made thereunder. A copy of the State Contract certified by an Authorized Officer of the Authority shall be filed with the Trustee, and a copy of any such amendment certified by an Authorized Officer of the Authority shall be filed with the Trustee.

SECTION 708. Accounts and Reports.

1. The Authority shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of its transactions relating to the amount of Revenues and the application thereof and each Fund and Account established under the Resolution. The Authority shall satisfy this obligation by directing the Trustee to keep such records. All books and papers of the Authority shall, subject to the terms thereof, at all times be subject to the inspection of the Trustee, the Treasurer and each Financing Facility Provider.

2. The Trustee and any Depository shall advise the Controller of the Authority as soon as practicable after the end of each month of the respective transactions during each month relating to each Fund and Account held by it under the Resolution.

3. The Authority shall annually, within 180 days after the close of each Fiscal Year file with the Trustee, and otherwise as provided by law, a copy of an annual report for such Fiscal Year accompanied by an Accountant's Certificate and including the following statements in reasonable detail: (i) a statement of assets and liabilities as of the end of such Fiscal Year; (ii) a statement of Revenues and expenses of the Authority for such Fiscal Year; and (iii) a summary with respect to each Fund and Account established under the Resolution of the changes in financial condition during such Fiscal Year and the amount held therein at the end of such Fiscal Year. Such Accountant's Certificate shall state whether or not, to the knowledge of the signer, the Authority is in default with respect to any of the covenants, agreements or conditions on its part contained in the Resolution, and if so, the nature of such default.

4. The Authority shall file with the Trustee (a) forthwith upon becoming aware of any Event of Default or default in the performance by the Authority of any covenant, agreement or condition contained in the Resolution, a certificate signed by an Authorized Officer of the Authority and specifying such Event of Default or default and (b) within 120 days after the end of each Fiscal Year, a certificate signed by an appropriate Authorized Officer of the Authority stating whether, to the best of his or her knowledge and belief, the Authority has kept, observed, performed and fulfilled its covenants and obligations contained in the Resolution and that there does not exist at the date of such certificate any default by the Authority under the Resolution or any Event of Default or other event which, with the lapse of time specified in Section 801 would become an Event of Default, or, if any such default or Event of Default or other event shall so exist, specifying the same and the nature and status thereof.

5. The reports statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Resolution shall be available for inspection by Bondholders at the office of the Trustee. The Authority and the Trustee may charge to each Bondholder requesting such reports, statements and other documents a reasonable fee to cover reproduction, handling and postage.

SECTION 709. Maintenance of Existence, Compliance with Resolution and Act and Other Matters.

1. The Authority shall at all times maintain its existence and shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Act and the Resolution.

2. Upon the date of authentication and delivery of any of the Bonds, all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds shall exist, have happened and have been performed, and the issue of such Bonds, together with all other obligations of the Authority shall comply in all respects with the applicable laws of the State.

SECTION 710. Financing Facilities. Subject to Section 711, the Authority shall maintain in full force and effect, and duly and punctually perform its obligations under, any agreement entered into by it in connection with the issuance of any Financing Facility, including the payment when due, but solely from the Pledged Property, of all Financing Facility Payment Obligations; provided, however, that nothing herein shall be construed to limit in any way any right of the Authority to terminate a Financing Facility in accordance with the terms thereof.

SECTION 711. Obligation to Enforce Financing Facilities. Irrespective of whether an Event of Default shall have occurred or be continuing, the Trustee shall take any and all action necessary or appropriate to enforce, on behalf of the Authority and for the benefit of the Bondholders, all rights of the Authority under any Financing Facility to which the Authority or the Trustee is a party, and notwithstanding anything to the contrary contained herein, the Authority shall have no obligation whatsoever to take any action to enforce the provisions of any such Financing Facility. In the event of the transfer, assignment or other conveyance of any Financing Facility in accordance with its terms by the Financing Facility Provider thereof or the substitution of a new Financing Facility Provider for any then existing Financing Facility Provider, the Trustee shall promptly notify the Authority and the Rating Agencies of the name and address of the new Financing Facility Provider and any modifications, amendments or supplements to the terms of the existing Financing Facility.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES OF BONDHOLDERS

SECTION 801. Events of Default.

1. The following events shall constitute an Event of Default under the Resolution:

   (i) if default shall be made in the 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;

   (ii) if default shall be made in the payment of any installment of interest on any Bond when and as such interest shall become due and payable;

   (iii) if default shall be made in the payment of principal, interest or any other amounts payable in connection with any Subordinated Debt;

   (iv) if the Authority shall fail to pay when due any Parity Financing Facility Payment Obligation; or

   (v) if default shall be made by the Authority in the performance or observance of any other covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and such default continues for a period of sixty (60) days after written notice requiring the same to be remedied shall have been given to the

Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five percent (25%) in principal amount of Bonds then Outstanding; provided, however, that if such performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, within such sixty (60) day period, no Event of Default shall be deemed to have occurred or exist if and so long as the Authority shall commence such performance within such sixty (60) day period and shall diligently and continuously prosecute the same to completion.

2. NOTWITHSTANDING ANYTHING CONTAINED IN THIS SECTION 801 TO THE CONTRARY, A FAILURE BY THE AUTHORITY TO PAY WHEN DUE ANY BOND PAYMENT OBLIGATIONS, SWAP PAYMENT OBLIGATIONS OR FINANCING FACILITY PAYMENT OBLIGATIONS 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 NON-APPROPRIATION SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THIS SECTION 801.

SECTION 802. Remedies.

1. If an Event of Default shall have occurred and be continuing, and in each such case, the Trustee or the Holders of any Bonds may (i) sue to collect sums due under such Bonds or to enforce and protect the rights of the Holders of such Bonds and (ii) compel, to the extent permitted by law, by mandamus or otherwise, the performance by the Authority of any covenant made in this Resolution or the Bonds.

2. Nothing in this Resolution or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay, from the sources provided in this Resolution, on the respective Interest Payment Dates, redemption dates or dates of maturity and places therein expressed, the principal or Redemption Price of and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of its Bonds.

SECTION 803. Accounting and Examination of Records After Default.

1. The Authority covenants that if an Event of Default shall have occurred and shall not have been remedied, the books of record and account of the Authority shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

2. The Authority covenants that if an Event of .Default shall have occurred and shall have not have been remedied, the Authority, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under this Resolution for such period as shall be stated in such demand.

SECTION 804. Application of Pledged Property After Default.

1. The Authority covenants that if an Event of Default shall occur and be continuing, the Authority, upon the demand of the Trustee, shall pay over or cause to be paid over to the Trustee forthwith (a) all Pledged Property then held by the Authority under the Resolution, and (b) all Revenues which are not paid directly to the Trustee as promptly as practicable after receipt thereof.

2. If an Event of Default shall occur and be continuing, the Trustee shall apply the Pledged Property, including all moneys, securities, funds and Revenues 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 the Resolution (other than the Program Rebate Fund and the Proceeds Account of the Transportation Program Improvement Fund), as follows and in the following order of priority:

(i) to the payment of the reasonable and proper fees (including reasonable attorney's fees), charges, expenses and liabilities of the Fiduciaries;

(ii) to the payment of the interest and principal or Redemption Price then due on the Bonds and Financing Facility Payment Obligations, as follows:

First: To the payment of interest then due on the Bonds and Parity Financing Facility Obligations in the order of the maturity of the installments thereof then due, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest or Parity Financing Facility Obligations maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, without priority or preference of any Bond or Parity Financing Facility Obligation over any other;

Second: To the payment of the unpaid principal or Redemption Price of any Bonds and Parity Financing Facility Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all Bonds or Parity Financing Facility Obligations due on any date, then to the payment thereof ratably, according to the amounts due in respect of each Bond or Parity Financing Facility Obligation, without any priority or preference over any other; and

Third: To the payment to any Financing Facility Provider of any Subordinated Financing Facility Payment Obligation then due and, if the amounts available are insufficient to pay in full all Subordinated Financing Facility Payment Obligations, then to the payment thereof ratably, without preference or priority of any Subordinated Financing Facility Payment Obligation over any other.

(iii) Notwithstanding the foregoing, to the extent provided in the applicable Supplemental Resolution or Series Certificate, Financing Facility Revenues shall be applied to the payment of principal or Redemption Price of, and interest on, the Bonds to which such Financing Facility relates, and amounts which would otherwise be paid to the holders of such Bonds shall be paid to the applicable Financing Facility Provider.

3. If an Event of Default shall occur and be continuing, but subject and subordinate to the amounts required to be paid pursuant to subsections 1 and 2 of this Section 804, and only after all amounts required to be paid pursuant to subsections 1 and 2 of this Section 804 have been paid in full, the Trustee shall apply any and all moneys, securities and Revenues then on deposit in or available for deposit to the Program Subordinated Debt Fund first to the payment of the reasonable and proper fees (including reasonable attorneys' fees), charges, expenses and liabilities of the Fiduciaries, and second to the payment to the persons entitled thereto of all installments of principal, redemption or prepayment price of, interest on and any other amounts payable in connection with any Subordinated Debt then outstanding, in such order of priority as shall be specified in the Supplemental Resolutions or other resolutions of the Authority authorizing the issuance of such Subordinated Debt or, if not so specified, pro rata.

4. If and whenever all overdue installments of principal or Redemption Price of, and interest on, all Bonds and Financing Facility Payment Obligations, together with the reasonable and proper charges, fees (including reasonable attorneys' fees), expenses and liabilities of the Trustee, and all other sums payable by the Authority under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable, 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 the 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 the 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 the 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 the Resolution or impair any right consequent thereon.

SECTION 805. Application of Pledged Property After Event of Non-Appropriation.

1. The Authority covenants that if an Event of Non-Appropriation shall occur and be continuing, and provided that there shall not have occurred and then be continuing any Event of Default, the Authority, upon the demand of the Trustee, shall pay over or cause to be paid over to the Trustee forthwith (a) all Pledged Property then held by the Authority under the Resolution, and (b) all Revenues which are not paid directly to the Trustee as promptly as practicable after receipt thereof.

2. If an Event of Non-Appropriation shall occur and be continuing, and provided that there shall not have occurred and then be continuing any Event of Default shall occur and be continuing, the Trustee shall apply the Pledged Property, including all moneys, securities, funds and Revenues 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 the Resolution (other than the Program Rebate Fund and the Proceeds Account of the Transportation Program Improvement Fund), as follows and in the following order of priority:

(i) to the payment of the reasonable and proper fees (including reasonable attorney's fees), charges, expenses and liabilities of the Fiduciaries;

(ii) to the payment of the interest and principal or Redemption Price then due on the Bonds and Financing Facility Payment Obligations, as follows:

First: To the payment of interest then due on the Bonds and Parity Financing Facility Obligations in the order of the maturity of the installments thereof then due, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest or Parity Financing Facility Obligations maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, without priority or preference of any Bond or Parity Financing Facility Obligation over any other;

Second: To the payment of the unpaid principal or Redemption Price of any Bonds and Parity Financing Facility Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all Bonds or Parity Financing Facility Obligations due on any date, then to the payment thereof ratably, according to the amounts due in respect of each Bond or Parity Financing Facility

Obligation, without any priority or preference over any other; and

Third: To the payment to any Financing Facility Provider of any Subordinated Financing Facility Payment Obligation then due and, if the amounts available are insufficient to pay in full all Subordinated Financing Facility Payment Obligations, then to the payment thereof ratably, without preference or priority of any Subordinated Financing Facility Payment Obligation over any other.

(b) Notwithstanding the foregoing, to the extent provided in the applicable Supplemental Resolution or Series Certificate, Financing Facility Revenues shall be applied to the payment of principal or Redemption Price of, and interest on, the Bonds to which such Financing Facility relate, and amounts which would otherwise be paid to the holders of such Bonds shall be paid to the applicable Financing Facility Provider.

3. If an Event of Non-Appropriation shall occur and be continuing, but subject and subordinate to the amounts required to be paid pursuant to subsections 1 and 2 of this Section 805, and only after all amounts required to be paid pursuant to subsections 1 and 2 of this Section 805 have been paid in full, the Trustee shall apply any and all moneys, securities and Revenues then on deposit in or available for deposit to the Program Subordinated Debt Fund first to the payment of the reasonable and proper fees (including reasonable attorneys' fees), charges, expenses and liabilities of the Fiduciaries, and second to the payment to the persons entitled thereto of all installments of principal, redemption or prepayment price of, interest on and any other amounts payable in connection with any Subordinated Debt then outstanding, in such order of priority as shall be specified in the Supplemental Resolutions or other resolutions of the Authority authorizing the issuance of such Subordinated Debt or, if not so specified, pro rata.

If and whenever all overdue installments of principal or Redemption Price of, and interest on, all Bonds and Financing Facility Payment Obligations, together with the reasonable and proper charges, fees (including reasonable attorneys' fees), expenses and liabilities of the Trustee, and all other sums payable by the Authority under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable, 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 the 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 the 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 the 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 Event of Nonappropriation under the Resolution or impair any right consequent thereon.

SECTION 806. 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 twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Holders of the Bonds under the 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 the Resolution

2. All rights of action under the 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 not less than a majority 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 the Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Resolution and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

5. Regardless of the occurrence and continuation of an Event of Default, the Trustee shall have power to but, unless requested in writing by the Holders of twenty-five percent (25%) in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, 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 the Resolution by any acts which may be unlawful or in violation of the 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 807. Restrictions on Bondholder's Action.

1. 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 the Resolution or the

execution of any trust under the Resolution or for any remedy under the Resolution, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default, as provided in this Article, and the Holders of at least twenty-five percent (25%) 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 the 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 against the costs, fees (including reasonable attorney's 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, her, its or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 702.

2. Nothing in the Resolution or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of (and premium, if any) and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of his Bond.

SECTION 808. Remedies Not Exclusive. No remedy by the terms of the 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 the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution.

SECTION 809. 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 occurrence 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 executed from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

2. The Holders of not less than a majority 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 the Resolution and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 810. Notice of Default. The Trustee shall promptly mail written notice of the occurrence of any Event of Default to each registered owner of Bonds then Outstanding at

such registered owner's address, if any, appearing upon the registry books of the Authority and to the Authority and each Financing Facility Provider.

SECTION 811. Rights of Financing Facility Providers. To the extent provided in the applicable Supplemental Resolution or Series Certificate, any rights granted to the holders of the Bonds pursuant to this Article VIII may, instead, be exercised by the Financing Facility Provider with respect to the Bonds to which such Financing Facility relates.

SECTION 812. Rights of Holders of Subordinated Debt. From and after the payment in full of the principal or Redemption Price of and interest on all Bonds issued and Outstanding under the Resolution and all Parity Financing Facility Payment Obligations, any rights granted to the Holders of the Bonds and such Parity Financing Facility Providers pursuant to this Article VIII may be exercised by the Holders of any Subordinated Debt then outstanding.

ARTICLE IX

CONCERNING THE FIDUCIARIES

SECTION 901. Trustee; Appointment and Acceptance of Duties. The Authority shall appoint the Trustee in the Supplemental Resolution or the Series Certificate to be executed in connection with the issuance of the first Series of Bonds to be issued under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution and such Supplemental Resolution or Series Certificate 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 Bonds issued under the Resolution, but only, however, upon the terms and conditions set forth in the Resolution and such Supplemental Resolution or Series Certificate.

SECTION 902. Paying Agents; Appointment and Acceptance of Duties.

1. The Authority shall appoint one or more Paying Agents for the Bonds of each Series, 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 913 for a successor Paying Agent. The Trustee may be appointed a Paying Agent.

2. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Authority and to the Trustee a written acceptance thereof.

3. 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.

SECTION 903. 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 the

Resolution or of any Bonds issued thereunder or as to the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. The Trustee 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 the Resolution to the Authority or 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. Subject to the provisions of subsection 2 of this Section 903, no Fiduciary shall be liable in connection with the performance of its duties hereunder, except for its own negligence, 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 the 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 Resolution, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Any provision of the 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 903 and Section 904.

3. The Trustee, in connection with the exercise of its discretionary rights or remedies upon the occurrence of an Event of Default as set forth under Article VIII of the Resolution, shall not incur any liability to any Bondholder, the Authority or any other person on account of the existence or alleged existence of any conflict between the interests of Holders of the Bonds in connection with which the Authority or the Trustee shall have entered into or obtained a Financing Facility and the Holders of Bonds not so secured arising from the difference in their respective security interests resulting from the availability of Financing Facility Revenues, provided that the Trustee shall not in any event be relieved of liability for its own negligent action, its own negligent failure to act or its own misconduct.

SECTION 904. 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 the Resolution, shall examine such instrument to determine whether it conforms to the requirements of the Resolution and shall be protected in acting upon any such instrument believed by it 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 the 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 the 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 Officer of the Authority, and such certificate shall be full warrant for any action taken or suffered in good faith under the

provisions of the 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 the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Authority to any Fiduciary shall be sufficiently executed in the name of the Authority when signed by an Authorized Officer of the Authority.

SECTION 905. Compensation.

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 each Fiduciary for 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 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 905.

5. The reimbursement obligation provided in this Section 905 does not apply to or extend to any indemnification which may be given by any Fiduciary to any other person.

SECTION 906. 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 depositary 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 arising out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

SECTION 907. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties created by the Resolution by giving no less than ninety (90) days written notice 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 date specified in such notice unless (i) previously a successor shall have been appointed by the Authority or the Bondholders as provided in Section 909, 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 909 on such date, in which event such resignation shall not take effect until a successor is appointed.

SECTION 908. Removal of the Trustee. The Trustee may be removed at any time with or without cause by an instrument or concurrent instruments in writing filed with the Trustee and signed by the Holders of a majority 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. In addition, 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 909. 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 Officer of the Authority, but if the Authority does not appoint a successor Trustee within sixty (60) days then by the Holders of a majority 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. After such appointment of a successor Trustee, the Authority shall mail notice of any such appointment by it or the Bondholders to the registered owners of the Bonds then Outstanding.

2. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within one hundred twenty (120) days after the Trustee shall have given to the Authority written notice as provided in Section 907 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 (in the case of its resignation under Section 907) or the Holder of any Bond (in any case) 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 909 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 $75,000,000 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 the Resolution.

SECTION 910. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under the 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 the 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 911. 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 the Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

SECTION 912. Adoption of Authentication. In case any of the Bonds contemplated to be issued under the 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 the Resolution provided that the certificate of the Trustee shall have.

SECTION 913. Resignation or Removal of Paying Agent and Appointment of Successor.

1. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days written notice to the Authority, the Trustee and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Authority. Any successor Paying Agent shall be appointed by the Authority with the approval of the Trustee and shall be a 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 $75,000,000, 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 the Resolution.

2. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent 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, the Trustee shall act as such Paying Agent.

ARTICLE X

SUPPLEMENTAL RESOLUTIONS

SECTION 1001. 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 Officer of the Authority, shall be fully effective in accordance with its terms:

(1) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Article II and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the 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;

(2) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(3) To add to the covenants and agreements of the Authority in the Resolution, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) To add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(5) To authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of Bonds issued and held in book-entry form on the books of the Authority and Fiduciary or custodian appointed for that purpose by the Authority and, in connection therewith, make such additional changes herein 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, the 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;

(6) 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, the Resolution of the Pledged Property and to pledge any additional revenues, moneys, securities, Financing Facilities or other agreements;

(7) To modify any of the provisions of the Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such modification shall not adversely affect the interest of any Bondholder; and

(8) To authorize the issuance of Subordinated Debt in accordance with the Resolution and the Act.

SECTION 1002. 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 Officer of the Authority, and (ii) the filing with the Authority of an instrument 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 correct any defect or inconsistent provision in the Resolution; or

(2) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect.

SECTION 1003. Supplemental Resolutions Effective with Consent of Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by (a) Bondholders in accordance with and subject to the provisions of Article XI and (b) any Financing Facility Provider the consent of which is required by the applicable Financing Facility, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority and upon compliance with the provisions of said Article XI, shall become fully effective in accordance with its terms as provided in said Article XI. Brokers, dealers and municipal securities dealers that purchase Bonds with a view to distribution may vote the Bonds which they purchase if, and only if, the official statements or other offering documents for all existing Bonds at the time Outstanding under the Resolution expressly disclosed that

brokers, dealers and municipal securities dealers that purchase Bonds with a view to distribution may vote the Bonds which they purchase. If permitted by an applicable Supplemental Resolution or Series Certificate, a Financing Facility Provider of a Financing Facility securing a Series of Bonds shall have the right to consent to amendments on behalf of and in lieu of the Owners of the Bonds of such Series.

SECTION 1004. General Provisions.

1. The 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 X and Article XI. Nothing contained in this Article X or Article XI 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 704 or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which elsewhere in the Resolution it is provided shall be delivered to said Fiduciary.

2. Any Supplemental Resolution referred to and permitted or authorized by Sections 1001 and 1002 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 the Resolution, is authorized or permitted by the 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 1001,1002 or 1003 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 the Resolution.

4. No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE XI

AMENDMENTS

SECTION 1101. Mailing. Any provision in this Article for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid only (i) to each registered owner of Bonds then Outstanding at such registered owner's address, if any, appearing upon the registry books of the Authority, and (ii) to the Trustee.

SECTION 1102. Powers of Amendment. Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution with the written consent, given as provided in Section 1103, of (a) at least a majority in principal amount of the

Bonds Outstanding at the time such consent is given who are affected by the proposed modification or amendment; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and 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 and (b) any Financing Facility Provider the consent of which is required by the applicable Financing Facility. No such modification or amendment shall permit a change in the terms of redemption (including sinking fund installment) or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof 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 assent thereto, or shall permit a change in the terms of redemption or prepayment of any Subordinated Debt or the payment of interest thereon or any other amount payable in connection therewith without the consent of the holder of such Subordinated Debt. For the purpose of this Section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds. Notwithstanding the foregoing, in the case of amendments or modifications to the Resolution which are to take effect simultaneously with the issuance or remarketing of Bonds of one or more Series and which are disclosed in the official statement or other offering document for such Series, purchasers of such Bonds shall be deemed to have consented to such amendments or modifications by virtue of their having purchased such Bonds and the written consents of such purchasers shall not be required.

SECTION 1103. Consent of Bondholders. The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 1102 to take effect when and as provided in this Section 1103. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form 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 1103 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 Holders of the percentages of Outstanding Bonds specified in Section 1102, (b) the written consent of any Financing Facility Provider the consent of which is required pursuant to the applicable Financing Facility and (c) 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 the Resolution, is authorized or permitted by the 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 1103 provided. Each such consent 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 1202. 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 1202 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 1202 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 1103 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 Section 1202 hereof. 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 1103, 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 1103 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 1103 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 pending 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 1104. Modifications by Unanimous Consent. The terms and provisions of the 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 consent of (a) the Holders of all of the Bonds then Outstanding, and (b) any Financing Facility Provider the consent of which is required by the applicable Financing Facility, such consents to be given as provided in Section 1103 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 assent thereto of such Fiduciary in addition to the consent of the Bondholders.

SECTION 1105. 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 XI, 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 Officer of the Authority upon which the Trustee may rely, describing all Bonds so to be excluded.

SECTION 1106. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article X or this Article XI 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 Series and maturity then Outstanding, upon surrender of such Bonds.

ARTICLE XII

MISCELLANEOUS

SECTION 1201. Defeasance.

1. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds and Subordinated Debt, if any, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and Subordinated Debt, if any, and in the Resolution, then the pledge of the Pledged Property, any Revenues, and other moneys and securities pledged under the 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 the Pledged Property, including all moneys or securities held by them pursuant to the Resolution which are not required for the payment of principal or Redemption Price, if applicable, 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 Series, or of a particular maturity or particular Bonds within a maturity within a Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the 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 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 or redemption 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 6 of this Section, any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section if (a) 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 irrevocable instructions to mail as provided in Article IV 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, (b) there shall have been deposited with the Trustee either moneys (including moneys withdrawn and deposited pursuant to subsection 2 of Section 505 and subsection 4 of Section 506) in an amount which shall be sufficient, or Defeasance Securities (including any Defeasance Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States) 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, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, 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 (c) 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 irrevocable instructions to mail a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 1201 and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of subsection 6 of this Section 1201, to be available for the payment of the principal or Redemption Price, if applicable, of and accrued and unpaid interest on said 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 the notice of redemption referred to in clause (a) hereof). 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. The Trustee shall, as and to the extent necessary, apply moneys held by it pursuant to this Section 1201 to the payment when due of the principal or Redemption Price of and interest on such Bonds, all in the manner provided in the Resolution. The Trustee shall, if so directed by the Authority (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1201 which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (a) above with respect to any Bonds deemed to have been paid in accordance with this Section 1201 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 and the Trustee shall immediately thereafter cancel all 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 to pay when due the principal or Redemption Price, if applicable, 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 (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1201 which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (a) with respect to any Bonds deemed to have been paid in accordance with this Section 1201 which are to be redeemed on any date prior to their maturity, the Authority shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, 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 or redeem Bonds deemed paid in accordance with this Section 1201. The directions given by the Authority to the Trustee referred to in the preceding sentence 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 1201 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 1201 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 1201 the total amount of moneys and Defeasance Securities remaining on deposit with the Trustee under this Section 1201 is in excess 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 (b) of this subsection 2 of Section 1201, 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 2 of Section 1201 and in subsection 3 through subsection 6 of this Section 1201, neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section 1201 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 Price, if applicable, 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 at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution, 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 to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments 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 or otherwise existing under the Resolution. For the purposes of this Section, Defeasance Securities shall mean and include only (A) Defeasance Securities which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof, (B) Defeasance Securities as to which an irrevocable notice of redemption of such securities has been given and such securities

are not otherwise subject to redemption prior to such specified date other than at the option of the Holder thereof, or (C) upon compliance with the provisions of subsection 4 of this Section 1201, Defeasance Securities which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

3. For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the second sentence of subsection 2 of this Section 1201, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy the second sentence of subsection 2 of this Section 1201, 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 the Bonds or otherwise existing under the Resolution.

4. Defeasance Securities described in clause (c) of subsection 2 of this Section 1201 may be included in the Defeasance Securities deposited with the Trustee in order to satisfy the requirements of clause (b) of subsection 2 of this Section 1201 only if the determination as to whether the moneys and Defeasance Securities to be deposited with the Trustee in order to satisfy the requirements of such clause (b) would be sufficient to pay when due either on the maturity date thereof or, in the case of any Bonds to be redeemed prior to the maturity date thereof, on the redemption date or dates specified in any notice of redemption to be mailed by the Trustee in accordance with subsection 2 of this Section 1201, the principal and Redemption Price, if applicable, and interest on the Bonds which will be deemed to have been paid as provided in subsection 2 of this Section 1201 is made both (i) on the assumption that the Defeasance Securities described in clause (c) were not redeemed at the option of the issuer prior to the maturity date thereof and (ii) on the assumptions that such Defeasance Securities would be redeemed by the issuer thereof at its option on each date on which such option could be exercised, that as of such date or dates interest ceased to accrue on such Defeasance Securities and that the proceeds of such redemption would not be reinvested by the Trustee.

5. In the event that after compliance with the provisions of subsection 4 of this Section 1201 the Defeasance Securities described in clause (c) of subsection 2 of this Section 1201 are included in the Defeasance Securities deposited with the Trustee in order to satisfy the requirements of clause (b) of subsection 2 of this Section 1201 and any such Defeasance Securities are actually redeemed by the issuer thereof prior to their maturity date, then the Trustee at the direction of the Authority, provided that the aggregate of the moneys and Defeasance Securities to be held by the Trustee, taking into account any changes in redemption dates or instructions to give notice of redemption given to the Trustee by the Authority in accordance with subsection 6 of this Section 1201, shall at all times be sufficient to satisfy the requirements of clause (b) of subsection 2 of this Section 1201, shall reinvest the proceeds of such redemption in Defeasance Securities.

6. Any notice of redemption to be mailed by the Trustee and any set of instructions relating to a notice of redemption given to the Trustee may provide, at the option of the Authority, that any redemption date or dates in respect of all or any portion of the Bonds to be redeemed on such date or dates may at the option of the Authority be changed to any other permissible redemption date or dates and that redemption dates may be established for any Bonds deemed to have been paid in accordance with this Section 1201 upon their maturity date or dates at any time prior to the actual mailing of any applicable notice of redemption.

7. Option Bonds shall be deemed to have been paid in accordance with the second sentence of subsection 2 of this Section 1201 only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Trustee moneys (including moneys withdrawn and deposited pursuant to subsection 2 of Section 505 and subsection 4 of Section 506) in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to subsection 2 of this Section 1201, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this subsection. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose 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 the Resolution.

8. Related Swap Bonds and the Authority's Swap Payment Obligations under the applicable Swap Agreement shall be deemed to have been paid for purposes of this Section 1201 if (a) there shall have been deposited with the Trustee moneys and Defeasance Securities of the type described in subsection 2 of this Section 1201 in an amount which together with amounts due and to become due from the Swap Provider under the applicable Swap Agreement, shall be sufficient to pay when due (i) during the term of the applicable Swap Agreement, the Authority's Bond Payment Obligations, Related Swap Bond Payment Obligations and Swap Payment Obligations (other than Swap Termination Payments) in respect of such Related Swap Bonds and (ii) thereafter, all principal of and premium, if any, and interest on such Bonds to maturity or prior redemption, and (b) the Authority shall have given to the Trustee irrevocable written instructions directing the Trustee to pay, during the term of the applicable Swap Agreement to the applicable Paying Agent or Swap Provider, as the case may be, the amount required to pay the Authority's Bond Payment Obligations, Related Swap Bond Payment Obligations and Swap Payment Obligations in respect of such Related Swap Bonds. Neither moneys nor Defeasance Securities deposited with the Trustee pursuant to this subsection 8 of Section 1201 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 payments to be made pursuant to subsections (a)(i) and (ii) above; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall to the extent practicable, be reinvested in Defeasance Securities maturing at the times and in amounts sufficient, together with other moneys available for the purpose, to make the payments set forth in subsections (a)(i) and (ii), and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or

pledge, and provided, further that any Defeasance Securities may be sold, transferred, redeemed or otherwise disposed of and the proceeds thereof applied to the purchase of other Defeasance Securities of the type permitted for this purpose, the principal of and interest on which, when due, together with moneys and other Defeasance Securities then held by the Trustee for such purpose, shall be sufficient to make the payments set forth in subsections (a)(i) and (ii). Notwithstanding the defeasance of any Bonds and discharge of the lien of the Resolution pursuant to this Section 1201, during the term of any Swap Agreement for which Related Swap Bonds have been defeased, the Trustee shall, subject to the foregoing provisions of this Section 1201, hold and apply (i) the Defeasance Securities deposited with it pursuant to this Section 1201 as provided in Section 505, and (ii) all payments from the Swap Provider under the applicable Swap Agreement as Swap Revenues pursuant to Section 506. If any portion of the moneys deposited with the Trustee for the payment of the amounts set forth in subsection (a) above is not required for such purpose, the Trustee shall pay the amount of such excess as the Authority shall direct in writing.

9. Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two 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, at the written request of the Authority, 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 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.

10. Any Subordinated Debt shall be defeased in the manner and subject to the terms and conditions set forth in the Supplemental Resolution or other resolution of the Authority authorizing the issuance thereof.

SECTION 1202. Evidence of Signatures of Bondholders and Ownership of Bonds.

1. Any request, consent, revocation of consent or other instrument which the 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 any instrument appointing any such attorney, or (ii) the holding by any person of the Bonds shall be sufficient for any purpose of the 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 such Bondholder's 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 or her 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 such person's 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 depository 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 proved 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 1203. Moneys Held for Particular Bonds. The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price 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 1204. Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of the 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 1205. Parties Interested Herein. Nothing in the 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, the Holders of the Bonds, any Financing Facility Providers and the holders of any Subordinated Debt, any right, remedy or claim under or by

reason of the Resolution or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in the Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Fiduciaries, the Holders of the Bonds, any Financing Facility Provider and the holders of any Subordinated Debt.

SECTION 1206. No Recourse on the Bonds. No recourse shall be had for the payment of the principal of or interest on the Bonds, the Financing Facility Payment Obligations or the principal of or interest on any Subordinated Debt for any claim based thereon or on the Resolution against any member or officer of the Authority or any person executing the Bonds, any Financing Facility or any instrument evidencing Subordinated Debt.

SECTION 1207. Publication of Notice; Suspension of Publication.

1. Any publication to be made under the provisions of the Resolution in successive weeks or on 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 the 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 1208. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in the 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 the Resolution.

SECTION 1209. 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 the Resolution, shall be a legal holiday or a day on which banking institutions in the city 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 the Resolution, and no interest shall accrue for the period after such nominal date.

SECTION 1210. Capital Appreciation Bonds; Convertible Capital Appreciation Bonds. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond or Convertible Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond or Convertible Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, as provided in Sections 801 and 802 of the Resolution, or (iii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond or Convertible

Capital Appreciation Bond in giving to the Authority or the Trustee any notice, consent, request or demand pursuant to the Resolution for any purpose whatsoever, or (iv) determining whether any Capital Appreciation Bond or Convertible Capital Appreciation Bond has been paid or deemed to have been paid pursuant to Section 1201 of the Resolution, the principal amount of a Capital Appreciation Bond or Convertible Capital Appreciation Bond shall be deemed to be its Accreted Value or Appreciated Value, respectively.

ARTICLE XIII

BOND FORM AND EFFECTIVE DATE

SECTION 1301. Form of Bonds, Trustee's Certificate of Authentication. Subject to the provisions of the Resolution, the form of Bonds of each Series and the Trustee's Certificate of Authentication shall be in substantially the following tenor with such variations, omissions and insertions as are required or permitted by the Resolution:

[FORM OF FULLY REGISTERED 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 BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, CEDE & CO., has an interest herein.

UNITED STATES OF AMERICA
STATE OF NEW JERSEY

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

TRANSPORTATION PROGRAM BONDS, SERIES _____

THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE SERIES _ BONDS ARE PAYABLE SOLELY FROM THE PLEDGED PROPERTY (AS DEFINED IN THE RESOLUTION) AND NEITHER THE STATE OF NEW JERSEY 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 OF OR INTEREST ON THIS BOND AND THE ISSUE OF WHICH IT IS ONE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY 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 OF OR INTEREST ON THIS BOND OR THE ISSUE OF WHICH IT IS ONE. THE AUTHORITY HAS NO TAXING POWER.

No. R-__

Interest Rate	Maturity Date	Dated Date	Authentication Date	CUSIP
%				

Registered Owner:

Principal Sum: Dollars

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY (the "Authority"), a public body corporate and politic and an instrumentality of the State of New Jersey created and existing under the laws of the State of New Jersey acknowledges itself indebted to and for value received hereby promises to pay to, the Registered Owner stated hereon or registered assigns, on the Maturity Date stated hereon, but solely from the funds pledged therefor, upon presentation and surrender of this bond at the corporate trust office of _____ (such bank and any successors thereto being herein called the "Paying Agent"), the Principal Sum stated hereon in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay from such pledged funds on _____ and _____, in each year, commencing, until the Authority's obligation with respect to the payment of such Principal Sum shall be discharged to the Registered Owner hereof, interest from the Dated Date hereof on such Principal Sum by check of the Trustee hereinafter mentioned mailed to such Registered Owner who shall appear as of the fifteenth (15th) day (or if such day shall not be a Business Day, the preceding Business Day) next preceding such interest payment date on the books of the Authority maintained by the Bond Registrar.

This bond is one of a duly authorized series of bonds of the Authority designated Transportation Program Bonds, Series _____ (herein called the "Series _____ Bonds"), in the aggregate principal amount of $_____, issued under and in full compliance with the Constitution and Statutes of the State of New Jersey, and particularly Chapter 73 of the Laws of New Jersey, 1984 as amended and supplemented, including without limitation, by L. 2012, c.13 (herein called the "Act"), and under and pursuant to a Resolution adopted by the Authority on October 26, 2012 entitled "2012 Transportation Program Bond Resolution" and a supplemental resolution of the Authority authorizing the Series _____ Bonds [and a Series Certificate duly

executed by an Authorized Officer of the Authority on _____] (said Resolution as supplemented [and together with said Series Certificate] being herein called the "Resolution").

As provided in the Resolution, the Series _____ Bonds, and all other bonds issued under the Resolution on a parity with the Series _____ Bonds (herein collectively called the "Bonds") are special obligations of the Authority payable solely from, and secured as to payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions of the Resolution solely by, the Pledged Property, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. Pledged Property under the Resolution includes, without limitation, the State Contract, all Revenues and the Funds, including Investment Securities held in any such Funds thereunder, together with all proceeds and revenues of the foregoing and all of the Authority's right, title and interest in and to the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Resolution, **provided, however, that all amounts paid to the Authority from the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds created under the Act are subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature. The New Jersey State Legislature has no legal obligation to make any such appropriations.** Copies of the Resolution are on file at the office of the Authority and at the above mentioned office of the Trustee and reference is hereby made to the Act and to the Resolution and any and all supplements thereto and modifications and amendments thereof for a description of the pledge and assignment and covenants securing the Bonds, the nature, extent and manner of 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 may be issued thereunder, the terms and provisions upon which this bond shall cease to be entitled to any lien benefit or security under the Resolution and for the other terms and provisions thereof. All covenants, agreements and obligations of the Authority under the Resolution may be discharged and satisfied at or prior to the maturity or redemption of this bond if moneys or certain specified securities shall have been deposited with the Trustee.

As provided in the Resolution, Bonds may be issued from time to time pursuant to Supplemental Resolutions or Series Certificates in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Resolution provided. The aggregate principal amount of Bonds which may be issued under the Resolution is not limited except as provided in the Act, and all Bonds issued and to be issued under the Resolution are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in the Resolution.

To the extent and in the manner permitted by the terms of the Resolution, the provisions of the Resolution, or any resolution amendatory thereof or supplemental thereto, may be modified or amended by the Authority, with the written consent of the holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given who are affected by the proposed modification or amendment; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and 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 and (b) any Financing Facility Provider the consent of which is required by the applicable Financing Facility. If permitted by an applicable Supplemental Resolution or Series Certificate, a Financing Facility Provider of a Financing Facility securing a Series of Bonds shall have the right to consent to amendments on behalf of, and in lieu of, the Owners of the Bonds of such Series. No such modification or amendment shall permit a change in the terms of redemption including sinking fund installments) or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof 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 the Trustee or of any Paying Agent without its written assent thereto, or shall permit a change in the terms of redemption or prepayment of any Subordinated Debt or the payment of interest thereon or any other amount payable in connection therewith without the consent of the holder of such Subordinated Debt.

This bond is transferable, as provided in the Resolution, only upon the books of the Authority kept for that purpose at the above-mentioned office of the Trustee, as Bond Registrar, by the Registered Owner hereof in person, or by such Registered Owner's attorney duly authorized in writing, upon surrender of this bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or such Registered Owner's duly authorized attorney, and thereupon a new fully registered bond or bonds of the same aggregate principal amount, Series and maturity as this bond shall be issued to the transferee in exchange therefor as provided in the Resolution, and upon payment of the charges therein prescribed. The Authority, the Trustee and any Paying Agent may deem and treat the Registered Owner as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes.

The Series _____ Bonds are subject to redemption prior to maturity as set forth in the Supplemental Resolution or Series Certificate authorizing such Series ____ Bonds.

No covenant or agreement contained in this bond shall be deemed to be the covenant or agreement of any member, officer, attorney, agent or employee of the Authority in an individual capacity. No recourse shall be had for the payment of principal, premium, if any, or interest on this bond against any officer, member, agent, attorney or employee of the Authority past, present or future, or any successor body or their heirs, personal representatives, successors, as such, either directly or through the Authority, or any such successor body, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all of such liability being hereby released as a condition of and as a consideration for the execution and delivery of this bond.

This bond shall not constitute the personal obligation, either jointly or severally, of any director, officer, employee or agent of the Authority. The Act provides that neither the members of the Authority nor any person executing Bonds for the Authority shall be liable personally on said Bonds by reason of the issuance thereof.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed and that the Series of Bonds of which this is one, together with all other indebtedness of the Authority, complies in all respects with the applicable laws of the State of New Jersey, including, particularly, the Act.

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 of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY, has caused this bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chairperson, Vice President or Executive Director, and its seal to be impressed, imprinted, engraved or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary or Assistant Secretory, all as of the Dated Date hereof.

NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY

By:_____
Chairperson, Vice-Chairperson
or Executive Director

Attest:

_____
Secretary or Assistant Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the Series _____ Bonds delivered pursuant to the within mentioned Resolution.

_____, as Trustee

By_____
Authorized Officer

SECTION 1302. Escheat Provision. Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or 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 applied when and as provided in the Uniform Unclaimed Property Act, N.J.S.A. 46:30B-1 et seq, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall have such rights as are provided in said Uniform Unclaimed Property Act.

SECTION 1303. Governing Law. This Resolution shall be governed by and construed in accordance with the laws of the State.

SECTION 1304. Effective Date. This Resolution shall take effect immediately upon its adoption in accordance with the Act.

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APPENDIX III

COPY OF THE STATE CONTRACT

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CONTRACT IMPLEMENTING FUNDING PROVISIONS OF THE NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY ACT WITH RESPECT TO TRANSPORTATION PROGRAM BONDS

THIS CONTRACT IMPLEMENTING FUNDING PROVISIONS OF THE NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY ACT WITH RESPECT TO TRANSPORTATION PROGRAM BONDS (the "Agreement") is made as of December 4, 2012, by and among the Treasurer of the State of New Jersey (the "Treasurer"), the Commissioner of the New Jersey Department of Transportation (the "Commissioner"), and the New Jersey Transportation Trust Fund Authority (the "Authority"), a public body corporate and politic of the State of New Jersey (the "State").

BACKGROUND

WHEREAS, the Authority was established and exists pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, L. 1984, c. 73, as amended and supplemented (the "Act"), including by L. 2012, c. 13 (the "2012 Legislation"); and

WHEREAS, the Act provides that there exists an urgent need, for a stable and assured method of financing the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of New Jersey's transportation system and that, unless additional State funding, is provided immediately for New Jersey's transportation system, the cost of repair and reconstruction will increase geometrically and the economic well-being and safety of users of the State's transportation system will be endangered; and

WHEREAS, in 1984 the Act established an arrangement whereby the State's share of the costs related to the reconstruction and repair of New Jersey's transportation system could be financed; and

WHEREAS, the funding of New Jersey's transportation system has been undertaken previously through the issuance of the Authority's Transportation System Bonds (the "Prior Bonds"), under the Authority's 1995 Transportation System Bond Resolution, as amended and supplemented (the "1995 Bond Resolution"); and

WHEREAS, the 2012 Legislation provides, among other things, for (i) the authorization of the "Transportation Program Bonds," in such amounts for such years as set forth in the 2012 Legislation; (ii) the provision of the payment of debt service on the Transportation Program Bonds only from certain constitutionally dedicated sources; and (iii) changes to the Joint Budget Oversight Committee's review of certain bonding by the Authority; and

WHEREAS, pursuant to the 2012 Legislation, the debt service on the Authority's Transportation Program Bonds will be payable solely from revenues dedicated pursuant to Article VIII, Section II, paragraph 4 of the Constitution of the State of New Jersey and deposited into the "Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds;" and

WHEREAS, such constitutionally dedicated revenues shall consist of (i) a portion of the amount equivalent to the revenue derived from $0.105 per gallon of the tax imposed on the sale of motor fuels pursuant to chapter 39 of title 54 of the Revised Statutes (the "Motor Fuels Tax"), and (ii) a portion of certain amounts derived from State revenues collected from (a) the tax on the gross receipts of the sale of petroleum products imposed pursuant to L. 1990, c. 42 (C.54:15B-1 et seq.) as amended and supplemented (the "Petroleum Products Tax") and (b) the State tax imposed under the "Sales and Use Tax Act," pursuant to L. 1966, c. 30 (C.54:32B-1 et seq.) as amended and supplemented (the " Sales and Use Tax"), all of which are subject and subordinate to certain appropriations and uses of the revenues as set forth in the State Constitution; and

WHEREAS, pursuant to the 2012 Legislation, the debt service on the Authority's Transportation Program Bonds is payable from the following statutorily dedicated sources as set forth in N.J.S.A. 27:1B-20, as amended by the 2012 Legislation, which sources are also constitutionally dedicated: a portion of an amount equivalent to the revenue derived from (i) $0.105 per gallon from the Motor Fuels Tax; (ii) the Petroleum Products Tax; and (iii) the tax imposed under the "Sales and Use Tax Act," L. 1966, c. 30 (C. 54:32B-1 et seq.) on the sale of new motor vehicles (the "Sales and Use Tax on the Sale of New Motor Vehicles"); and

WHEREAS, in order to implement the financing arrangement provided for in the 2012 Legislation with respect to the Transportation Program Bonds, the Treasurer, the Commissioner and the Authority have been authorized by Section 23 of the Act, as amended by the 2012 Legislation, to enter into one or more contracts; and

WHEREAS, pursuant to the authority so granted in Section 23 of the Act, as amended by the 2012 Legislation, the Treasurer, the Commissioner and the Authority will enter into this Agreement in order to implement the financing arrangements provided for in the Act, as amended by the 2012 Legislation, with respect to the Transportation Program Bonds, and to secure financial obligations of the Authority to be incurred thereafter with respect to the Transportation Program Bonds; and

WHEREAS, the Authority has duly authorized its Chairperson, Vice Chairperson or Executive Director by the 2012 Transportation Program Bond Resolution adopted on October 26, 2012 (the "Transportation Program Bond Resolution") to enter into and execute this Agreement.

NOW, THEREFORE, in consideration of the promises, mutual covenants and agreements herein set forth and the undertakings of each party to the others, the Treasurer, the Commissioner and the Authority do hereby promise, covenant and agree as follows:

ARTICLE I

ARTICLE I DEFINITIONS

1.1. Definitions.

As used and referred to in this Agreement, and unless a different meaning clearly appears from the context:

"Act" shall mean the New Jersey Transportation Trust Fund Authority Act of 1984, L. 1984, c. 73 as from time to time amended and supplemented, including, but not limited to, by the 2012 Legislation.

"Authority" shall mean the New Jersey Transportation Trust Fund Authority, a public body corporate and politic established pursuant to the Act.

"Bond Resolution" means any resolution, indenture, agreement, or other instrument adopted or entered into by the Authority which provides security for the payment of the Transportation Program Bonds, notes or other obligations related to such Transportation Program Bonds, including, but not limited to the Transportation Program Bond Resolution, as amended and supplemented.

"Commissioner" shall mean the Commissioner of the New Jersey Department of Transportation.

"Department" shall mean the New Jersey Department of Transportation.

"Fiscal Year" shall mean the twelve month period ending on June 30 of each year.

"Special Transportation Fund" shall mean the separate State fund established by Section 21 of the Act.

"Transportation Trust Fund Account" shall mean the account in the General Fund of the State established by Section 20 the Act.

"Transportation Trust Fund Subaccount" shall mean the subaccount in the Transportation Trust Fund Account entitled "Subaccount for Debt Service for Transportation Program Bonds" established by Section 20 the Act.

"Treasurer" shall mean the Treasurer of the State of New Jersey.

ARTICLE II

TRANSPORTATION TRUST FUND SUBACCOUNT

2.1. (a) During each Fiscal Year commencing on or after the effective date hereof in which the Authority has Transportation Program Bonds, notes or other obligations issued under the Transportation Program Bond Resolution or any agreements securing such Transportation Program Bonds, notes or other obligations outstanding, the Treasurer shall credit to the Transportation Trust Fund Subaccount a portion of an amount equivalent to the revenue derived from $0.105 per gallon from the Motor Fuels Tax.

(b) The Treasurer shall, in addition to the foregoing, credit to the Transportation Trust Fund Subaccount for the Fiscal Year beginning July 1, 2012 and each Fiscal Year thereafter, (i) a portion of an amount equivalent to the revenue derived from the Petroleum Products Tax, provided that the amount credited to the Transportation Trust Fund Account shall not be less than $200,000,000; and (ii) a portion of an amount equivalent to the revenue derived

from the Sales and Use Tax on the Sale of New Motor Vehicles, provided that the amount credited to the Transportation Trust Fund Account shall not be less than $200,000,000.

(c) In addition to all other amounts to be credited to the Transportation Trust Fund Subaccount as provided in this Section 2.1, there shall be credited to the Transportation Trust Fund Subaccount in each Fiscal Year any additional amounts from the Sales and Use Tax necessary to secure and provide for the payment of the Transportation Program Bonds, notes or other obligations issued under the Bond Resolution.

2.2. (a) Not later than the fifth business day of the month following the month in which a credit has been made pursuant to the foregoing section, the Treasurer shall pay the Authority for its purposes as provided in the Act, the amount then credited to the Transportation Trust Fund Subaccount.

(b) All payments to the Authority shall be subject to and dependent upon appropriations being made from time to time by the Legislature for the purposes of the Act.

(c) Notwithstanding anything contained herein to the contrary, all revenues deposited in the Transportation Trust Fund Subaccount shall consist solely of revenues which are dedicated pursuant to the New Jersey Constitution, including Article VIII, Section 11, paragraph 4 and subsections (a) and (d) of Section 20 of the Act.

2.3. Unless the Legislature otherwise provides, in the event that appropriations with respect to any Fiscal Year have not been made by July 1 of said Fiscal Year, the initial credit of any amounts to be credited hereunder shall be in an amount equal to that which would have been credited to the Transportation Trust Fund Subaccount if the appropriations had been made by said July 1.

ARTICLE III

SPECIAL TRANSPORTATION FUND

3.1. The Treasurer shall maintain the Special Transportation Fund in accordance with the Act.

3.2. Subject to the rights and security interests of holders from time to time of such Transportation Program Bonds, notes or other obligations relating to such Transportation Program Bonds as the Authority may hereafter issue and other secured parties under the Transportation Program Bond Resolution, the Authority agrees to transfer to the Special Transportation Fund from its available funds or revenues such amounts as may be appropriated by law to fund designated categorical or specific projects of the Department of Transportation.

3.3. The Commissioner may from time to time, but not more frequently than monthly, certify to the Authority an amount necessary to fund payments made, or anticipated to be made, by or on behalf of the Department from appropriations established for or made to the Department from revenues or other funds of the Authority. The Commissioner's certification shall be deemed conclusive for the purposes of this Section.

3.4. Within 15 days of receipt of the Commissioner's certification, the Authority shall transfer the amount so certified from the available funds of the Authority to the Treasurer for deposit in the Special Transportation Fund. Such transfers shall be subject to the provisions of the Transportation Program Bond Resolution in effect at the time of the transfer.

3.5. All funds transferred to the Special Transportation Fund in accordance with the preceding Section shall only be expended by the Department pursuant to such appropriations or authorizations as may be made from time to time by the Legislature for the purposes of the Act.

ARTICLE IV

PLEDGE OF AGREEMENT

4.1. The parties hereto acknowledge that the Authority will pledge this Agreement as security for the payment of its Transportation Program Bonds, notes or other obligations issued under the Transportation Program Bond Resolution or any agreements securing such Transportation Program Bonds, notes or other obligations in accordance with the Act, as amended by the 2012 Legislation, and will covenant with the holders of such Transportation Program Bonds, notes or other obligations to enforce the provisions of this Agreement.

ARTICLE V

SUBJECT TO APPROPRIATION

5.1. It is expressly understood by the parties that the incurrence of any obligation by the State under this Agreement, including any payments to be made hereunder from the Transportation Trust Fund Subaccount or the Special Transportation Fund, shall be subject to and dependent upon appropriations being made from time to time by the Legislature for the purposes of the Act.

ARTICLE VI

SEVERABILITY OF INVALID PROVISIONS

6.1. If any one or more of the covenants or agreements provided in this Agreement to be performed on the part of the Treasurer, the Commissioner or the Authority should be deemed contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining agreements and covenants and shall in no way affect the validity of the other provisions of this Agreement.

ARTICLE VII

GOVERNING LAW

7.1. This Agreement shall be construed and governed in accordance with the laws of the State of New Jersey.

ARTICLE VIII

HEADINGS

8.1. Headings preceding the texts of the several Articles hereof are solely for the convenience of reference and shall not constitute a part of this Agreement or affect its meaning, construction or effect.

ARTICLE IX

EXECUTION IN COUNTERPARTS

9.1. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

ARTICLE X

AMENDMENTS AND SUPPLEMENTS

10.1. This Agreement may be amended or supplemented from time to time when necessary or desirable to further implement the provisions of the Act; provided that no amendment or supplement to this Agreement shall adversely affect the interests of the holders of the Authority's Transportation Program Bonds, notes or other obligations secured by this Agreement.

ARTICLE XI

EFFECTIVE DATE AND TERMINATION

11.1. This Agreement shall become effective as of December 4, 2012.

11.2. This Agreement shall terminate when the Authority shall have paid or made provision for payment of all of its Transportation Program Bonds, notes or other obligations secured by this Agreement.

IN WITNESS WHEREOF, the parties have themselves executed and or have done so by their officers thereunto duly the date and year first written above.

TREASURER, STATE OF NEW JERSEY

By: _____
ANDREW P. SIDAMON-ERISTOFF

COMMISSIONER, NEW JERSEY
DEPARTMENT OF TRANSPORTATION

By: _____
JAMES S. SIMPSON

NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY

By: _____
GARY BRUNE
Executive Director

[SIGNATURE PAGE TO STATE CONTRACT]

IN WITNESS WHEREOF, the parties have themselves executed and or have done so by their officers thereunto duly the date and year first written above.

TREASURER, STATE OF NEW JERSEY

By: _____
ANDREW P. SIDAMON-ERISTOFF

COMMISSIONER, NEW JERSEY
DEPARTMENT OF TRANSPORTATION

By: _____
JAMES S. SIMPSON

NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY

By: _____
GARY BRUNE
Executive Director

[SIGNATURE PAGE TO STATE CONTRACT]

IN WITNESS WHEREOF, the parties have themselves executed and or have done so by their officers thereunto duly the date and year first written above.

TREASURER, STATE OF NEW JERSEY

By: _____
ANDREW P. SIDAMON-ERISTOFF

COMMISSIONER, NEW JERSEY
DEPARTMENT OF TRANSPORTATION

By: _____
JAMES S. SIMPSON

NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY

By: Gary J. Brune
GARY BRUNE
Executive Director

[SIGNATURE PAGE TO STATE CONTRACT]

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APPENDIX IV

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 _____, 2013, by and among the TREASURER OF THE STATE OF NEW JERSEY (the "Treasurer"), the NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY (the "Authority"), a public body corporate and politic of the State of New Jersey (the "State"), and U.S. BANK NATIONAL ASSOCIATION, as Dissemination Agent (the "Dissemination Agent"), in its capacity as trustee under the 2012 Transportation Program Bond Resolution adopted by the Authority on October 26, 2012, as amended and supplemented (the "General Bond Resolution"), including as supplemented by the Second Supplemental Transportation Program Bond Resolution adopted by the Authority on July 29, 2013, and a Series Certificate of the Authority, dated _____ __, 2013 (collectively, the "Resolution"). This Disclosure Agreement is entered into in connection with the issuance and sale of the Authority's $_____ Transportation Program Bonds, 2013 Series AA (the "2013 Series 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 2013 Series Bonds (collectively, the "Bondholders" or the "Holders") and in compliance with Rule 15c2-12(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 2013 Series 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 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 15c2-12(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 2013 Series Bonds.

"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, 2014 and March 15 of each year during which any of the 2013 Series 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 2013 Series 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," "FUNDING PENSION PLANS," "FUNDING POST-RETIREMENT MEDICAL BENEFITS" and "LITIGATION" and (ii) "COMPREHENSIVE ANNUAL FINANCIAL REPORT," 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 clause (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 2013 Series Bonds, or other material events affecting the tax status of the 2013 Series Bonds;

(7) Modification to rights of Bondholders, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances of the 2013 Series Bonds;

(10) Release, substitution or sale of property securing repayment of the 2013 Series Bonds, if material;

(11) Rating changes relating to the 2013 Series 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 2013 Series Bonds or the change of name of a trustee for the 2013 Series 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 2013 Series 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 2013 Series 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 2013 Series 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 General Bond 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 905 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 Transportation Trust Fund Authority
Finance and Administration Building
1035 Parkway Avenue, P.O. Box 600
Trenton, New Jersey 08625
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>:

U.S. Bank National Association
21 South Street
Morristown, New Jersey 07960
Attn: Corporate Trust Department

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 TRANSPORTATION TRUST FUND AUTHORITY

By: _____
GARY BRUNE
Executive Director

U.S. BANK NATIONAL ASSOCIATION, as Dissemination Agent

By: _____
PAUL O'BRIEN
Vice President

EXHIBIT A

NOTICE OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer:	New Jersey Transportation Trust Fund Authority
Name of Bond issues affected:	$_____ Transportation Program Bonds, 2013 Series AA
Date of Issuance of the affected issues:	_____ __, 2013

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 issue as required by Section 3 of the Continuing Disclosure Agreement dated as of August 1, 2013 by and among the Treasurer, the New Jersey Transportation Trust Fund 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: _____

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Name:
Title:

cc: Treasurer
Authority

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APPENDIX V

FORM OF OPINION OF BOND COUNSEL

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[UPON DELIVERY OF THE 2013 SERIES AA BONDS, WOLFF & SAMSON PC, BOND COUNSEL, IS EXPECTED TO RENDER ITS APPROVING LEGAL OPINION IN SUBSTANTIALLY THE FOLLOWING FORM]

[Date of Closing]

New Jersey Transportation Trust Fund Authority
Trenton, New Jersey

The Honorable Andrew P. Sidamon-Eristoff
Treasurer, State of New Jersey
Trenton, New Jersey

Re: New Jersey Transportation Trust Fund Authority
Transportation Program Bonds, 2013 Series AA

Ladies and Gentlemen

We have acted as Bond Counsel to the New Jersey Transportation Trust Fund Authority (the "Authority"), a public body corporate and politic and an instrumentality of the State of New Jersey (the "State"), created pursuant to the New Jersey Transportation Trust Fund Authority Act, constituting Chapter 73 of the Laws of 1984 of the State, as amended and supplemented, including, without limitation, by L. 2012, c. 13 (the "Act"), in connection with the Authority's issuance of its Transportation Program Bonds, 2013 Series AA in the aggregate principal amount of $_____ (the "2013 Series AA Bonds").

The 2013 Series AA Bonds are issued under and pursuant to (i) the Constitution and laws of the State including, without limitation, the Act; and (ii) a resolution of the Authority adopted October 26, 2012 entitled "2012 Transportation Program Bond Resolution" (the "Bond Resolution"), as amended and supplemented from time to time, including by the Authority's Second Supplemental Transportation Program Bond Resolution adopted on July 29, 2013 (the "Second Supplemental Resolution") and a Series Certificate dated _____ __, 2013 (the "Series Certificate;" the Bond Resolution, as amended and supplemented, including by the Second Supplemental Resolution and the Series Certificate, shall be referred to herein as the "Resolution"). Capitalized terms used in this opinion and not otherwise defined herein shall have the respective meanings ascribed thereto in the Resolution.

The 2013 Series AA Bonds are being issued for the purpose of (i) paying State Transportation System Costs and (ii) paying certain costs of issuance of the 2013 Series AA Bonds.

The 2013 Series AA Bonds are dated and bear interest from their date of delivery. Interest on the 2013 Series AA Bonds will be payable semi-annually on each June 15 and December 15, commencing December 15, 2013. The 2013 Series AA Bonds bear interest at the interest rates per annum, will mature on June 15 in each of the years and will be subject to redemption prior to maturity all as set forth in the Resolution.

The 2013 Series AA Bonds are issuable only in fully registered form without coupons and, when issued, will be registered initially in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York, an automated depository for securities and clearinghouse for securities transactions. Purchases of the 2013 Series AA Bonds will be in book-entry only form without certificates in the denominations of $5,000 or integral multiples thereof and are lettered and numbered from one upward preceded by the letter "R" prefixed to the number.

The Act provides for certain payments to be made from the Subaccount for Debt Service for Transportation Program Bonds within the Transportation Trust Fund Account in the State General Fund to the Authority, subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature (the "State Legislature") for such purpose. Pursuant to the Act, the Authority has entered into an agreement entitled "Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with Respect to Transportation Program Bonds," dated as of December 4, 2012 (the "State Contract"), with the State Treasurer (the "Treasurer") and the Commissioner of the New Jersey Department of Transportation (the "Commissioner") to implement such payments and other arrangements provided for in the Act. Pursuant to the State Contract, the Treasurer has agreed to make payments to the Authority solely from amounts appropriated by the State Legislature in amounts sufficient to pay, when due, the principal of and interest on all Bonds issued under the Resolution, including the 2013 Series AA Bonds, subject to and dependent upon appropriations being made from time to time by the State Legislature.

In the Resolution, the Authority has pledged the Pledged Property as security for all Bonds issued under the Resolution, including the 2013 Series AA Bonds. The Pledged Property consists of the Revenues and the Funds (other than the Program Rebate Fund and the Proceeds Account of the Transportation Program Improvement Fund) created under the Resolution, including Investment Securities held in any such Fund, together with all proceeds and revenues of the foregoing and all of the Authority's right, title and interest therein, and all other moneys, securities or funds pledged for the payment of the principal of and interest on the Bonds in accordance with the terms and provisions of the Resolution. All Bonds issued under the Resolution are special obligations of the Authority which are payable solely from, and secured solely by, the Pledged Property.

The 2013 Series AA Bonds shall not, in any way, be 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 shall not create or constitute an indebtedness, liability or obligation of the State or of 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 any political subdivision thereof. The Authority has no taxing power.

The Authority reserves the right to issue additional Bonds for the purposes and on the conditions stated in the Resolution. As provided in the Resolution, any such additional Bonds (except Subordinated Debt as defined in the Resolution) may be secured equally as to security and payment with the 2013 Series AA Bonds.

In connection with the opinions set forth below, we have examined such documents, records of the Authority and other instruments, including original counterparts or certified copies of the Resolution and the other documents listed in the record of proceedings relating to the issuance of the 2013 Series AA Bonds, and such matters of law and other proofs, as we

deemed necessary to enable us to express the opinions set forth below. In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies.

Based upon and subject to the foregoing and the assumptions and qualifications set forth below, we are of the opinion that:

1. The Authority is a public body corporate and politic and an instrumentality of the State, duly created, legally organized and validly existing under the Act, and has the right, power and authority under the Act to adopt the Resolution, to execute the Series Certificate, to enter into the State Contract and to issue the 2013 Series AA Bonds.

2. The Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Resolution is required which has not already been obtained.

3. The Resolution creates the valid pledge which it purports to create of the Pledged Property, including payments made to the Authority pursuant to the State Contract, subject to and dependent upon appropriations being made from time to time by the State Legislature for such purpose.

4. The 2013 Series AA Bonds have been duly and validly authorized and issued by the Authority in accordance with the Constitution and the statutes of the State, including the Act and the Resolution, constitute valid and binding obligations of the Authority as provided in the Resolution, are entitled to the benefits of the Resolution, the State Contract and the Act and are enforceable in accordance with their terms and the terms of the Resolution.

5. The State Contract is in full force and effect and is valid and binding upon the Authority, the Commissioner and the Treasurer and enforceable against the Authority, the Commissioner and the Treasurer in accordance with its terms, subject to the payment obligations thereunder being subject to and dependent upon appropriations being made from time to time by the State Legislature for such purpose.

6. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the 2013 Series AA Bonds in order that interest on the 2013 Series AA Bonds be and remain excluded from the gross income of the owners thereof for Federal income tax purposes. In its Tax Regulatory Agreement (the "Tax Certificate") executed by the Authority in connection with the issuance of the 2013 Series AA Bonds (but which does not constitute a covenant under the Resolution), the Authority represents that the Authority expects and intends to be able to comply with and will, to the extent permitted by law, comply with the provisions and procedures set forth in the Tax Certificate and do and perform all acts and things necessary or desirable in order to assure that, under the Code as presently in effect, interest on the 2013 Series AA Bonds will, for purposes of Federal income taxation, be and remain excluded from the gross income of the recipients thereof. In rendering the opinion set forth in this Paragraph 6, we have assumed the Authority's compliance with the applicable provisions of the Tax Certificate.

Pursuant to the applicable provisions of the Code and related rulings, regulations and judicial decisions, interest on the 2013 Series AA Bonds is not included in gross income for

purposes of federal income taxation under Section 103 of the Code and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed by the Code on individuals and corporations. However, under the Code, interest on the 2013 Series AA Bonds held by certain corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the 2013 Series AA Bonds in "adjusted current earnings."

[We are further of the opinion that the difference between the principal amount of the 2013 Series AA Bonds maturing on _____ (the "Discount Bonds") and their initial offering prices to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold, constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Discount Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond, and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.]

[Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the owner's basis in such bond to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code.]

No opinion is expressed, however, as to the extent the accrual or receipt of interest on the 2013 Series AA Bonds may otherwise affect the Federal income tax liability of, or other consequences to, the recipients thereof, which will depend on each recipient's particular tax status and other items of income or deduction.

We are also of the opinion that interest on the 2013 Series AA Bonds and any gain on the sale thereof are not includible in gross income under the New Jersey Gross Income Tax Act.

The foregoing opinions are qualified to the extent that the enforceability of the Resolution, the State Contract, the 2013 Series AA Bonds and all related obligations of the various parties thereto may be limited as to remedies by any applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium and similar laws of general application at the time in effect and by judicial decisions and principles of equity affecting creditors' rights generally and judicial discretion. In addition, we wish to advise you that no opinion is being rendered as to the availability of any particular remedy under the Resolution, the State Contract or the 2013 Series AA Bonds.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion, or any changes in law or interpretations thereof that may occur after the date of this opinion, or for any reason whatsoever.

Very truly yours,