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 2014 Series Notes offered hereby in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 7, 2014

NEW ISSUE – BOOK-ENTRY ONLY

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

$297,500,000*
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
TRANSPORTATION PROGRAM NOTES
(SIFMA INDEX MULTIMODAL NOTES)
2014 SERIES BB

Consisting of:

$_____*	$_____*	$_____*
Transportation Program Notes	**Transportation Program Notes**	**Transportation Program Notes**
(SIFMA Index Multimodal Notes)	**(SIFMA Index Multimodal Notes)**	**(SIFMA Index Multimodal Notes)**
2014 Series BB-1	**2014 Series BB-2**	**2014 Series BB-3**

Dated: Date of Delivery

Due: As forth 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 $297,500,000* Transportation Program Notes (SIFMA Index Multimodal Notes), 2014 Series BB consisting of the $_____* Transportation Program Notes (SIFMA Index Multimodal Notes) 2014 Series BB-1 (the "2014 Series BB-1 Notes"), the $_____* Transportation Program Notes (SIFMA Index Multimodal Notes) 2014 Series BB-2 (the "2014 Series BB-2 Notes") and the $_____* 2014 Series BB-3 (the "2014 Series BB-3 Notes" and, together with the 2014 Series BB-1 Notes and the 2014 Series BB-2 Notes, the "2014 Series Notes").

Tax Matters: *In the opinion of Bond Counsel to the Authority, 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 the Tax Certificate (as defined herein), interest on the 2014 Series Notes is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations; however, interest on the 2014 Series Notes held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax imposed on corporations as a result of the inclusion of interest on the 2014 Series Notes in "adjusted current earnings". In the opinion of Bond Counsel, interest on and any gain from the sale of the 2014 Series Notes are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.*

Redemption: The 2014 Series Notes are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE 2014 SERIES NOTES" herein.

Security: The 2014 Series Notes 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 it may be amended from time to time, among the Treasurer of the State (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 "SOURCES OF PAYMENT AND SECURITY FOR THE 2014 SERIES NOTES" herein.

The 2014 Series Notes 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 (as defined herein)) 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 2014 Series Notes 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 2014 Series Notes. See "PLAN OF FINANCE" herein.

Interest Rates: The 2014 Series Notes will initially bear interest at the SIFMA Index Rate (as defined herein) as shown on the inside cover page and as described herein under the heading "DESCRIPTION OF THE 2014 SERIES NOTES". Each Subseries of the 2014 Series Notes will bear interest in the SIFMA Index Rate Period (as defined herein) unless and until all of such Subseries of the Series 2014 Notes are converted to a different Interest Period, as more fully described in this Official Statement. The interest rate for each Interest Period (as defined herein) shall be determined by the Trustee, as Calculation Agent for the 2014 Series Notes. **This Official Statement only describes the terms and provisions of the 2014 Series Notes while the 2014 Series Notes bear interest at the SIFMA Index Rate.**

Interest Payment Dates: During the SIFMA Index Rate Period, interest on the 2014 Series Notes is payable on the first Business Day of each month commencing January 2, 2015.

Mandatory Tender: Each Subseries of the 2014 Series Notes is subject to mandatory tender for purchase on the applicable Initial Index Rate Note Purchase Dates set forth on the inside front cover and, at the option of the Authority, on any Business Day (as defined herein) on or after the applicable Optional Purchase Date (as defined herein).

Denominations: The 2014 Series Notes 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 2014 Series Notes are offered when, as and if delivered and subject to the receipt of the approving legal opinion of DeCotiis, FitzPatrick & Cole, LLP, Teaneck, 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 Underwriters by Eckert Seamans Cherin & Mellott, LLC, Trenton, New Jersey and Philadelphia, Pennsylvania. The 2014 Series Notes in definitive form are expected to be available for delivery through DTC in New York, New York on or about November __, 2014.

BofA Merrill Lynch

**Preliminary, subject to change.*

Official Statement dated: November __, 2014

MATURITIES, INITIAL PURCHASE DATES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICE AND CUSIP** NUMBERS

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

$_____*
TRANSPORTATION PROGRAM NOTES
(SIFMA INDEX MULTIMODAL NOTES)
2014 SERIES BB-1

Maturity Date (June 15)	Initial Index Rate Note Purchase Date	Principal Amount	Interest Rate	Price	CUSIP**
			SIFMA Index plus __%	100%	

$_____*
TRANSPORTATION PROGRAM NOTES
(SIFMA INDEX MULTIMODAL NOTES)
2014 SERIES BB-2

Maturity Date (June 15)	Initial Index Rate Note Purchase Date	Principal Amount	Interest Rate	Price	CUSIP**
			SIFMA Index plus __%	100%	

$_____*
TRANSPORTATION PROGRAM NOTES
(SIFMA INDEX MULTIMODAL NOTES)
2014 SERIES BB-3

Maturity Date (June 15)	Initial Index Rate Note Purchase Date	Principal Amount	Interest Rate	Price	CUSIP**
			SIFMA Index plus __%	100%	

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* Preliminary, subject to change.

** Registered trademark of American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the 2014 Series Notes 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 2014 Series Notes 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 2014 Series Notes.

IN CONNECTION WITH THE OFFERING OF THE 2014 SERIES NOTES, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2014 SERIES NOTES 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 2014 SERIES NOTES 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 2014 Series Notes 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 2014 Series Notes 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 2014 Series Notes, the principal documents related to the security for the 2014 Series Notes 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 2014 Series Notes, and all references to the 2014 Series Notes 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 2014 Series Notes 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 2014 Series Notes and the security therefor, including an analysis of the risks involved. The 2014 Series Notes have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the 2014 Series Notes in accordance with applicable provisions of securities laws of the various jurisdictions in which the 2014 Series Notes 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 2014 Series Notes 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

$297,500,000*
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
TRANSPORTATION PROGRAM NOTES
(SIFMA INDEX MULTIMODAL NOTES)
2014 SERIES BB

Consisting of:

$_____*	**$_____***	**$_____***
Transportation Program Notes	**Transportation Program Notes**	**Transportation Program Notes**
(SIFMA Index Multimodal Notes)	**(SIFMA Index Multimodal Notes)**	**(SIFMA Index Multimodal Notes)**
2014 Series BB-1	**2014 Series BB-2**	**2014 Series BB-3**

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 $297,500,000* Transportation Program Notes, (SIFMA Index Multimodal Notes), 2014 Series BB consisting of $_____* Transportation Program Notes (SIFMA Index Multimodal Notes) 2014 Series BB-1 (the "2014 Series BB-1 Notes"), $_____* Transportation Program Notes (SIFMA Index Multimodal Notes) 2014 Series BB-2 (the "2014 Series BB-2 Notes") and $_____* Transportation Program Notes (SIFMA Index Multimodal Notes) 2014 Series BB-3 (the "2014 Series BB-3 Notes" and, together with the 2014 Series BB-1 Notes and the 2014 Series BB-2 Notes, the "2014 Series Notes"). The 2014 Series Notes 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 2014 Series Notes. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Concurrently with the issuance of the 2014 Series Notes, the Authority is issuing its $764,055,000* Transportation Program Bonds, 2014 Series AA (the "2014 Series AA Bonds") on a parity with the 2014 Series Notes and all Outstanding Bonds under the Resolution. The 2014 Series AA Bonds are being issued for the purposes of: (i) paying State Transportation System Costs, and (ii) paying certain costs of issuance of the 2014 Series AA Bonds. The 2014 Series AA Bonds are <u>not</u> being offered pursuant to this Official Statement. Also concurrently with the issuance of the 2014 Series Notes, the Authority is remarketing two series of bonds which are currently outstanding under the Authority's Prior Bond Resolution (as defined herein), as further described 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

* Preliminary, subject to change.

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:

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 State Constitution (the "State 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 "SOURCES OF PAYMENT AND SECURITY FOR THE 2014 SERIES NOTES – 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 2014 Series Notes are being issued pursuant to the Act and the 2012 Transportation Program Bond Resolution, as amended and supplemented, including by the Third Supplemental Transportation Program Bond Resolution, adopted on October 22, 2014 (the "Third Supplemental Resolution") and a series certificate of the Authority to be dated as of the date of sale of the 2014 Series Notes (the "Series Certificate"). The Authority's 2012 Transportation Program Bond Resolution, as amended and supplemented, including by the Third 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" or "Program Bond 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 2014 Series Notes.

The Resolution constitutes a contract between the Authority and the holders of the bonds issued and outstanding thereunder. All such bonds, including the 2014 Series Notes, 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 2014 Series AA Bonds and the 2014 Series Notes offered hereby are the third and fourth Series of Bonds (or notes, as applicable), respectively, 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 the Authority's $849,200,000 Transportation Program Bonds, 2013 Series AA issued on August 24, 2013 (the "2013 Series AA Bonds" and, together with the 2012 Series AA Bonds, the "Prior Program Bonds") and with all Bonds to be issued from time to time under the Resolution. After the issuance of the 2014 Series Notes and the 2014 Series AA Bonds, the Authority will have outstanding $_____ in aggregate principal amount of Bonds issued under the Resolution.

The 2014 Series Notes 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. 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 "SOURCES OF PAYMENT AND SECURITY FOR THE 2014 SERIES NOTES - Property Pledged to the 2014 Series Notes; the State Contract; the Act; the Resolution" herein.

As of June 30, 2014, the Authority had outstanding $13,054,655,716 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"). Concurrently with the issuance of the 2014 Series Notes, the Authority is remarketing $150,000,000 of its Transportation System Bonds,

2009 Series C and $147,500,000 of its Transportation System Bonds, 2009 Series D (together, the "2009 Series Bonds") to convert the interest rate on the 2009 Series Bonds from a weekly rate to a long-term rate to the maturity date of such 2009 Series 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. It is anticipated that no additional bonds will be issued under the Prior Bond Resolution other than Refunding Bonds (as such term is defined therein). Bonds issued to finance future State Transportation System Costs are expected to be issued under the Program Bond Resolution.

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 2014 Series Notes are qualified in their entirety by reference to the definitive form thereof and the provisions with respect thereto contained in the Resolution.

SOURCES OF PAYMENT AND SECURITY FOR THE 2014 SERIES NOTES

Property Pledged to the 2014 Series Notes; the State Contract; the Act; the Resolution

The 2014 Series Notes are payable and secured under the Resolution on a parity with the Prior Program Bonds and all other obligations issued concurrently with the 2014 Series Notes, including the 2014 Series AA Bonds or thereafter, including 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 — Section 501 – The Pledge Effected by the Resolution" 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 State 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 State 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 2014 Series Notes 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 State 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 "SOURCES OF PAYMENT AND SECURITY FOR THE 2014 SERIES NOTES - Constitutional Dedication of Certain State Revenues" below and "APPENDIX III - COPY OF THE STATE CONTRACT" hereto.

Constitutional Dedication of Certain State Revenues

The State Constitution provides 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 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 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 State Constitution).

The above provision of the State 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 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", dated as of December 4, 2012, the "Prior Bonds State Contract"), by and among the Authority, the State Treasurer and the Commissioner.

For Fiscal Year 2015 which began on July 1, 2014, the State Legislature appropriated $197,059,000 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, including the 2014 Series Notes.

State General Taxing Power Not Pledged

Pursuant to the Act and the Resolution, the 2014 Series Notes 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, in accordance with the requirements of the Act, 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. See "STATUTORY DEBT ISSUANCE LIMITATIONS" herein and "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, 2014, the Authority had outstanding $13,054,655,716 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

Transportation Program Bonds – New Money Bonds

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 as follows:

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.

Transportation Program Bonds - 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. Any decision by the Authority to issue refunding bonds must be approved by JBOC.

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" below.

PRIOR BONDS

As of June 30, 2014, the Authority had outstanding $13,054,655,716 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 – Transportation Program Bonds - Refunding Bonds."

For Fiscal Year, 2015, which began July 1, 2014, the State Legislature appropriated $1,062,984,000 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 2014 Series Notes for the purposes of: (a) paying State Transportation System Costs, and (b) paying certain costs of issuance of the 2014 Series Notes. A portion of the proceeds of the 2014 Series Notes 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 2014 Series Notes are expected to be as set forth below:

SOURCES OF FUNDS	**2014 Series BB-1**	**2014 Series BB-2**	**2014 Series BB-3**
Par Amount of 2014 Series Notes	$	$	$
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 ratings, printing, legal and Trustee fees, and other expenses relating to the issuance and sale of the 2014 Series Notes.

DESCRIPTION OF THE 2014 SERIES NOTES

General

The Resolution, the State Contract and all provisions thereof are incorporated by reference in the text of the 2014 Series Notes. Copies of the Resolution, including the full text of the form of the 2014 Series Notes, 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 2014 Series Notes and is qualified by reference thereto.

The 2014 Series Notes 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 2014 Series Notes, payments of the principal of and interest on the 2014 Series Notes 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 2014 Series Notes. See "Book-Entry Only System" herein.

The 2014 Series Notes will be issued in fully registered book-entry-only form, without certificates. One certificate shall be issued for the aggregate principal amount of 2014 Series Notes 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 2014 Series Notes. 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 2014 Series Notes 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 2014 Series Notes will not receive certificates representing their beneficial ownership interests in the 2014 Series Notes, 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 2014 Series Notes purchased. In the event the 2014 Series Notes are no longer subject to the DTC Book-Entry Only System, the principal or Redemption Price of 2014 Series Notes will be payable upon surrender of the respective 2014 Series Notes at a designated corporate trust office of the Paying Agent. See "DESCRIPTION OF THE 2014 SERIES NOTES- Book-Entry Only System" herein.

The 2014 Series Notes will bear interest from their date of delivery at the SIFMA Index Rate (as defined herein) payable on each Note Interest Payment Date (as defined herein) until maturity, earlier redemption or conversion to a different interest rate mode, all as described below under "Additional Information Related to 2014 Series Notes." The 2014 Series Notes will mature on the dates and in the amounts set forth on the inside cover hereof, and are subject to mandatory tender on the dates set forth on the inside cover hereof. Under certain circumstances, the 2014 Series Notes are subject to conversion from the then current Rate Period to a Daily Rate Period, a Weekly Rate Period, a Short-Term Rate Period, a Long-Term Rate Period, a Fixed Rate Period, Index Rate Period or subsequent Index Rate Period (each, a "Rate Period").

While the 2014 Series Notes bear interest at the SIFMA Index Rate, interest on the 2014 Series Notes will be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, and will be payable on the first Business Day of each month, commencing January 2, 2015 (each such date, a "Note Interest Payment Date") to the registered owner as of the Record Date. The Record Date for the payment of interest on the 2014 Series Notes will be the 15th day of the month immediately preceding the Note Interest Payment Date. The Trustee will act as initial Calculation Agent with respect to the 2014 Series Notes.

Additional Information Related to 2014 Series Notes

Interest Rate Provisions

The 2014 Series Notes will bear interest initially in a SIFMA Index Rate Period. During the SIFMA Index Rate Period, the 2014 Series Notes will bear interest from and including the date of delivery at the SIFMA Index Rate.

Except for the initial SIFMA Index Rate applicable to the 2014 Series Notes upon their issuance, which will be determined by the Calculation Agent on the date of delivery, the Calculation Agent shall determine the SIFMA Index Rate on each Computation Date, and such rate shall become effective on the SIFMA Index Reset Date next succeeding the Computation Date; provided that in no event will the SIFMA Index Rate exceed the maximum rate of 12%.

The determination of the SIFMA Index Rate (absent manifest error) shall be conclusive and binding upon the Authority and the holders of the 2014 Series Notes. If for any reason the SIFMA Index Rate shall not be established, the 2014 Series Notes shall bear interest at the SIFMA Index Rate last in effect until such time as a new SIFMA Rate shall be established pursuant to the Series Certificate.

"Applicable Spread" means ___% for the 2014 Series BB-1 Notes, ___% for the 2014 Series BB-2 Notes and ___% for the 2014 Series BB-3 Notes.

"Calculation Agent" means, initially, the Trustee, and thereafter, the Trustee or any other Calculation Agent determined pursuant to the provisions of the Series Certificate.

"Computation Date" means, with respect to the 2014 Series Notes during the SIFMA Index Rate Period, each Wednesday immediately preceding a SIFMA Index Rate Period.

"Conversion Date" means any day on which the 2014 Series Notes are converted from one Rate Period to another Rate Period in accordance with the Series Certificate.

"Electronic Means" means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Initial Index Rate Note Purchase Date" means, with respect to each subseries of the 2014 Series Notes, the date set forth on the inside cover page hereto.

"Initial Period" means the initial SIFMA Index Rate Period commencing on the date of delivery of the 2014 Series Notes, and ending on the first to occur of (i) the Initial Index Rate Note Purchase Date, (ii) the Conversion Date next succeeding the date of delivery of the 2014 Series Notes, and (iii) the maturity date of the 2014 Series Notes.

"Optional Purchase Date" means, with respect to each Subseries to Series 2014 Notes, the following dates:

Subseries	Optional Purchase Date
2014 Series BB-1	
2014 Series BB-2	
2014 Series BB-3	

"SIFMA Index" means, for any Computation Date, the level of the index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association and issued on Wednesday of each week, or if any Wednesday is not a Business Day, the next preceding Business Day. If the SIFMA Index is no longer published, or otherwise made available, the SIFMA Index for any day will be 67% of Three Month LIBOR Index or, if the Three Month LIBOR Index is not published or otherwise made available, 67% of the Treasury Rate (each as defined herein). If at any time neither such index is available, the Calculation Agent shall use instead an index that for tax-exempt state and local government bonds meets criteria determined in good faith by the Authority to be comparable under the circumstances to the criteria used by the Securities

Industry and Financial Markets Association to determine the SIFMA Index immediately prior to the date on which the Securities and Financial Markets Association ceased publication of the SIFMA Index.

"SIFMA Index Rate" means a per annum rate of interest equal to the sum of the Applicable Spread *plus* the relevant SIFMA Index.

"SIFMA Index Rate Period" means (a) the Initial Period and (b) any subsequent period during which the 2014 Series Notes will bear interest at the SIFMA Index Rate.

"SIFMA Index Reset Date" means Thursday of each week.

"Three-Month LIBOR Index" means the rate for deposits in U.S. dollars with a three-month maturity that appears on Reuters Screen LIBOR 01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the Computation Date (as defined herein), except that, if such rate does not appear on such page on the Computation Date, the Three-Month LIBOR Index means a rate determined on the basis of the rates at which deposits in U.S. dollars for a three-month maturity and in a principal amount of at least U.S. $1,000,000 are offered at approximately 11:00 a.m., London time, on the Computation Date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the "Reference Banks") selected by the Calculation Agent (provided, however, that if the Calculation Agent is the Trustee, the Trustee may appoint an agent to identify such Reference Banks). The Calculation Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three-Month LIBOR Index will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Three-Month LIBOR Index will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Calculation Agent, at approximately 11:00 a.m., New York City time, on the Computation Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. $1,000,000 having a three-month maturity. If none of the banks in New York City selected by the Calculation Agent is then quoting rates for such loans, then the Three-Month LIBOR Index for the ensuing interest period will mean the Three-Month LIBOR Index then in effect following the immediately preceding Note Interest Payment Date.

"Treasury Rate" means the interest rate applicable to 13-week United States Treasury bills determined on the basis of the average per annum discount rate at which such 13-week United States Treasury bills have been sold at the most recent Treasury auction.

Mandatory Tender of the 2014 Series Notes

The 2014 Series Notes shall be subject to a mandatory tender for purchase by the Tender Agent at the Purchase Price on (i) the applicable Initial Index Rate Note Purchase Date (the "Purchase Date"), and (ii) at the option of the Authority on any Business Day on or after the applicable Optional Purchase Date. "Purchase Price" means the principal amount of the 2014 Series Notes tendered for purchase plus accrued and unpaid interest thereon to the Purchase Date.

Notice of Mandatory Tender for Purchase

Notice of mandatory tender of the 2014 Series Notes shall be given not fewer than 10 days prior to the Purchase Date by the Trustee via Electronic Means or by first-class mail to the holders of the 2014 Series Notes, the Authority, the Remarketing Agent, the Tender Agent and any Credit Facility Provider. The notice shall specify the proposed Purchase Date and the event which gives rise to the proposed Purchase Date and state that (i) the 2014 Series Notes shall be subject to mandatory tender for purchase on such

Purchase Date, (ii) holders may not elect to retain the 2014 Series Notes subject to mandatory tender, (iii) the 2014 Series Notes subject to mandatory tender shall be required to be delivered to the Designated Office of the Tender Agent at or before 1:00 p.m., New York City time, on the Purchase Date, (iv) if the holder of any 2014 Series Notes subject to mandatory tender fails to delivery such 2014 Series Notes to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of funds sufficient to pay the Purchase Price thereof, such 2014 Series Notes shall nevertheless be deemed to be purchased on the Purchase Date and the ownership thereof shall be transferred to the purchaser thereof, (v) any holder that fails to deliver such 2014 Series Notes for purchase shall have no further rights thereunder or under the Resolution except the right to receive the Purchase Price thereof upon presentation and surrender of such 2014 Series Notes, and (vi) in the case of a mandatory tender upon a proposed conversion, such conversion and such mandatory tender will not occur if certain events and conditions specified in the Series Certificate do not occur or are not satisfied.

Remarketing Provisions

No less than 90 days prior to the Purchase Date, the Authority will use its best efforts to appoint a Remarketing Agent pursuant to a Remarketing Agreement. While the 2014 Series Notes are in a SIFMA Index Rate Period, the Remarketing Agent will offer for sale and use its best efforts to sell all of the 2014 Series Notes on the Purchase Date at a purchase price equal to the principal amount.

Consequences Related to Insufficient Funds for Purchase Upon Mandatory Tender

In the event the proceeds of the remarketing of 2014 Series Notes are insufficient to effect the purchase of the 2014 Series Notes on the Purchase Date and the Authority fails to provide the additional funds necessary to effect the purchase, the failure of the Authority to pay the Purchase Price on the Purchase Date constitutes an Event of Default under the Resolution, provided, however, that the failure by the Authority to pay when due the Purchase Price of any 2014 Series Notes resulting from the occurrence of an Event of Non-Appropriation shall not constitute an Event of Default under the Resolution. For purposes of Sections 804 and 805 of the General Resolution, the principal of the Series 2014 Notes of each Subseries shall be deemed to have come due on the Initial Index Rate Note Purchase Date of such Subseries.

Conversion to Another Rate Period

The Authority may elect to convert all or a portion of the 2014 Series Notes from one Rate Period to another Rate Period, including a Daily Rate Period, a Weekly Rate Period, a Short-Term Rate Period, a Long-Term Rate Period, a Fixed Rate Period or another Index Rate Period, all as defined and provided in the Series Certificate. The Authority shall give written notice of any proposed conversion to the Trustee, the Remarketing Agent and the Calculation Agent not fewer than seven (7) business Days (14 Business Days in the case of a proposed conversion to a Short-Term Rate Period) prior to the date the notice to affected holders must be given by the Trustee, which shall be given not later than 10 days prior to the proposed Conversion Date. The Series Certificate provides specific conditions that must be met for a conversion to be effective. The 2014 Series Notes are subject to conversion only upon and in connection with the mandatory tender, remarketing and purchase of the 2014 Series Notes, as described above.

Redemption of 2014 Series Notes

Optional Redemption.

2014 Series BB-1. While the 2014 Series BB-1 Notes bear interest at the SIFMA Index Rate, the 2014 Series BB-1 Notes are subject to redemption prior to maturity at the option of the Authority, at any time on or after _____, either in whole or in part, at a Redemption Price equal to 100% of the

principal amount of the 2014 Series Notes being redeemed, plus accrued interest thereon to the redemption date.

2014 Series BB-2. While the 2014 Series BB-2 Notes bear interest at the SIFMA Index Rate, the 2014 Series BB-2 Notes are subject to redemption prior to maturity at the option of the Authority, at any time on or after _____, either in whole or in part, at a Redemption Price equal to 100% of the principal amount of the 2014 Series BB-2 Notes being redeemed, plus accrued interest thereon to the redemption date.

2014 Series BB-3. While the 2014 Series BB-3 Notes bear interest at the SIFMA Index Rate, the 2014 Series BB-3 Notes are subject to redemption prior to maturity at the option of the Authority, at any time on or after _____, either in whole or in part, at a Redemption Price equal to 100% of the principal amount of the 2014 Series BB-3 Notes being redeemed, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption.

2014 Series BB-1 Notes. The 2014 Series BB-1 Notes are subject to mandatory sinking fund redemption in part (as described below under the caption "*Selection of the Series 2014 Notes to be Redeemed*"), prior to maturity on _____, in the years set forth below, at a redemption price equal to the principal amount of the 2014 Series BB-1 Notes called for redemption plus interest accrued to the redemption date.

$_____
Transportation Program Notes
(SIFMA Index Multimodal Notes)
2014 Series BB-1

Year	Amount

2014 Series BB-2 Notes. The 2014 Series BB-2 Notes are subject to mandatory sinking fund redemption in part (as described below under the caption "*Selection of the Series 2014 Notes to be Redeemed*"), prior to maturity on _____, in the years set forth below, at a redemption price equal to the principal amount of the 2014 Series BB-2 Notes called for redemption plus interest accrued to the redemption date.

$_____
Transportation Program Notes
(SIFMA Index Multimodal Notes)
2014 Series BB-2

Year	Amount

2014 Series BB-3 Notes. The 2014 Series BB-3 Notes are subject to mandatory sinking fund redemption in part (as described below under the caption "*Selection of the Series 2014 Notes to be Redeemed*"), prior to maturity on _____, in the years set forth below, at a redemption price equal to the principal amount of the 2014 Series BB-3 Notes called for redemption plus interest accrued to the redemption date.

$_____
Transportation Program Notes
(SIFMA Index Multimodal Notes)
2014 Series BB-3

Year	Amount

Selection of 2014 Series Notes to be Redeemed. If less than all of any Subseries of the 2014 Series Notes are called for redemption, the Authority will select the maturity or maturities of the applicable Subseries of 2014 Series Notes to be redeemed, and DTC will select the 2014 Series Notes 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 2014 Series Notes 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 2014 Series Note to be redeemed shall be in the principal amount of $5,000 or any multiple thereof, and in selecting 2014 Series Notes for redemption, the Trustee is required to treat each such 2014 Series Note as representing that number of 2014 Series Notes which is obtained by dividing the principal amount of such 2014 Series Note by $5,000.

Notice of Redemption of the 2014 Series Notes

When the Trustee shall receive notice from the Authority of its election or direction to redeem the 2014 Series Notes, and when redemption of the 2014 Series Notes is authorized or required pursuant to the Resolution, the Trustee shall give notice, in the name of the Authority, of the redemption of such 2014 Series Notes, which notice shall specify the subseries and maturities of the 2014 Series Notes 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 2014 Series Notes of the same maturity are to be redeemed, the letters and numbers or other distinguishing marks of such 2014 Series Notes so to be redeemed, and, in the case of 2014 Series Notes 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 2014 Series Notes to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of 2014 Series Notes 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 2014 Series Notes or portions of 2014 Series Notes which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure of the registered owner of any 2014 Series Notes which are to be redeemed to receive any such notice shall not affect the validity of the proceedings for the redemption of 2014 Series Notes.

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 2014 Series Notes 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 2014 Series Notes, all notices of redemption required to be given to the registered owners of the 2014 Series Notes will be given to DTC.

Mandatory Tender for Purchase in Lieu of Optional Redemption

Whenever any 2014 Series Notes 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 2014 Series Notes, elect to call such 2014 Series Notes for mandatory tender for purchase in lieu of optional redemption at a purchase price equal to the then applicable Redemption Price of such 2014 Series Notes. 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 Noteholders (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 2014 Series Notes at the option of the Authority shall also apply to a mandatory tender for purchase of such 2014 Series Notes 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 2014 Series Notes 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 2014 Series Notes. The 2014 Series Notes 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 each series of the 2014 Series Notes, in the aggregate principal amount of such series and maturity of the 2014 Series Notes, and will be deposited with DTC. The following discussion will not apply to any 2014 Series Notes 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 2014 Series Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Series Notes on DTC's records. The ownership interest of each actual purchaser of a 2014 Series Note ("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 2014 Series Notes 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 2014 Series Notes, except in the event that use of the Book-Entry System for the 2014 Series Notes is discontinued.

Transfers. To facilitate subsequent transfers, all 2014 Series Notes 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 2014 Series Notes 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 2014 Series Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2014 Series Notes 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 2014 Series Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2014 Series Notes, such as redemptions, defaults, and proposed amendments to the documents relating to the 2014 Series Notes. For example, Beneficial Owners of 2014 Series Notes may wish to ascertain that the nominee holding the 2014 Series Notes 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 2014 Series Notes 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 2014 Series Notes 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 2014 Series Notes 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 2014 Series Notes 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 2014 Series Notes 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 2014 Series Notes 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 2014 Series Notes 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 2014 SERIES NOTES (I) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE 2014 SERIES NOTES, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN 2014 SERIES NOTES, OR (III) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE HOLDER OF THE 2014 SERIES NOTES, 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 2014 SERIES NOTES 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 2014 SERIES NOTES 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 2014 SERIES NOTES; (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2014 SERIES NOTES; OR (V) ANY OTHER MATTER.

SO LONG AS CEDE & CO. IS THE HOLDER OF THE 2014 SERIES NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BOND OWNERS OR HOLDERS OF THE 2014 SERIES NOTES, OTHER THAN UNDER THE CAPTION "TAX MATTERS," SHALL MEAN CEDE & CO. OR DTC AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2014 SERIES NOTES.

DEBT SERVICE SCHEDULE – TRANSPORTATION PROGRAM OBLIGATIONS

The following table sets forth the debt service requirements for the 2014 Series Notes, the 2014 Series AA Bonds and the Outstanding Prior Program Bonds in each Fiscal Year.

Fiscal Year	Outstanding Prior Program Bond Debt Service	2014 Series AA Bonds Debt Service	2014 Series Notes Debt Service	Aggregate Debt Service
2015	$120,333,013	$	$	$
	120,333,013			
2016	120,333,213			
2017	120,331,613			
2018	120,335,363			
2019	120,334,838			
2020	120,333,538			
2021	120,333,688			
2022	120,333,788			
2023	120,330,313			
2024	120,333,813			
2025	120,331,313			
2026	120,331,813			
2027	120,333,563			
2028	120,331,663			
2029	120,334,913			
2030	120,332,463			
2031	120,335,400			
2032	120,335,488			
2033	120,335,550			
2034	120,331,550			
2035	120,331,550			
2036	120,329,300			
2037	120,329,550			
2038	80,494,900			
2039	55,872,475			
2040	55,875,250			
2041	55,871,250			
2042	55,873,000			
2043	55,874,750			
2044	55,875,750			
Total	3,183,394,663			

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]
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	823,497,606
2038	841,465,938
2039	925,783,069
2040	1,004,920,613
2041	882,222,675
2042	167,700,750
Total	$26,276,089,017

[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. The Authority plans to remarket the 2009 Series C and D bonds to a fixed rate.

[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 of the State (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:

Jamie Fox: 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.

Michael I. Hanley: Principal, NW Financial Group, 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.

Anthony Longo: Treasurer; Manager, Office of Public Finance, 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, 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 2014 SERIES NOTES — Property Pledged to the 2014 Series Notes; 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, Authority funds and funds from the Port Authority of New York and New Jersey and from the New Jersey Turnpike Authority. 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

The State's transportation system consists of 2,341 center line miles of state highways maintained by the Department and approximately 36,952 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 2,422 are owned by the Department, 107 are owned by NJ Transit, 1,174 are owned by independent toll road authorities, 2,668 are owed by counties and municipalities and the remainder are owned by other private and public entities.

The State's transportation system also consists of commuter rail, light rail, and bus lines in the State, which are principally operated by NJ Transit. Covering a service area of 5,325 square miles, NJ Transit is one of the nation's largest providers of bus, rail, and light rail transit, linking major points in New Jersey, New York, and Philadelphia. NJ Transit operates a fleet of over 2,200 buses, over 1,350 locomotives and rail cars, and 93 light rail vehicles. NJ Transit also provides more than 800 buses for routes operated by other carriers. On 261 bus routes, 12 heavy rail lines, and three light rail lines, riders took over 260 million unlinked trips in State Fiscal Year 2013.

NJ Transit also provides connections to other transit systems. At New York's Penn Station, connections are available from NJ Transit lines to Amtrak, the Long Island Railroad and New York City subway lines. In 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 Capital Program Management ("CPM") is responsible for the development and delivery of the Department's annual Capital Program to ensure that program objectives, project commitments and schedules are met. CPM is comprised of six divisions: Construction Services and Materials, Project Management, Right of Way and Access Management, Capital Program Support, Highway and Traffic Design, and Bridge Engineering and Infrastructure Management. This includes oversight of all aspects of project management, environmental services, property acquisition, design, quality assurance, and construction management for all active projects. CPM is also responsible for a number of other engineering functions that are ancillary to the delivery of the Capital Program including pavement management, the "Good Neighbor" landscaping program, railroad grade crossing safety

programs, the New Jersey Major Access Permit Program, the Wireless Communications License Program, and ensuring statewide compliance with National Bridge Inspection Standards.

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 2014 Series Notes, or the contemplated uses of the proceeds of the 2014 Series Notes, or in any way contesting or affecting the validity of the 2014 Series Notes, 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 2014 Series Notes 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 2014 Series Notes are subject to the approval of DeCotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey, Bond Counsel. The opinion of Bond Counsel will be delivered with the 2014 Series Notes in substantially the form included in this Official Statement as APPENDIX V. Certain legal matters in connection with the 2014 Series Notes will be passed upon for the Authority by the Attorney General of the State, and for the Underwriters by their counsel, Eckert Seamans Cherin & Mellott, LLC, Trenton, New Jersey and Philadelphia, Pennsylvania.

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 such bonds or notes shall be authorized security for any and all public deposits.

TAX MATTERS

2014 Series Notes

The 2014 Series Notes are treated for federal tax purposes as part of a single issue with the 2014 Series AA Bonds (collectively, the "2014 Obligations"). 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 2014 Obligations in order to assure that interest on the 2014 Obligations 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 investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the 2014 Obligations be rebated to the federal government. The failure to comply with such provisions may cause interest on the 2014 Obligations to be or become includable in gross income for federal income tax purposes retroactive to the date of issuance and delivery of the 2014 Obligations. In its Arbitrage and Tax Certificate (the "Tax Certificate"), which is delivered in connection with the issuance of the 2014 Obligations (but which does not constitute a covenant under the Resolution), the Authority has represented 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 2014 Obligations will, for purposes of federal income taxation, be and remain excludable from the gross income of the recipients thereof. DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel to the Authority, has relied upon the representations made in the Tax Certificate and has assumed continuing compliance by the Authority with all applicable federal income tax law requirements in rendering its federal income tax opinion with respect to the exclusion of interest on the 2014 Obligations from gross income for federal income tax purposes.

Based upon and subject to the foregoing, Bond Counsel is of the opinion that, under existing law, interest on the 2014 Obligations (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code, and (ii) is not an item of tax preference to be included in calculating alternative minimum taxable income under the Code for purposes of the alternative minimum tax imposed with respect to individuals and corporations; however, interest on the 2014 Obligations held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax imposed on corporations as a result of the inclusion of interest on the 2014 Obligations in "adjusted current earnings".

[Bond Counsel is further of the opinion that the difference between the principal amount of the 2014 Series __ _____ maturing on _____ (the "Discount Obligations") 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 Obligations 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 Obligations. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Obligation, and the basis of each Discount Obligation 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.]

New Jersey Gross Income Tax

In the opinion of Bond Counsel, interest on and any gain realized on the sale of the 2014 Obligations is not includable in gross income under the existing New Jersey Gross Income Tax Act.

Certain Federal Tax Consequences Relating to the 2014 Obligations

Although interest on the 2014 Obligations is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the 2014 Obligations may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deduction. Purchasers of the 2014 Obligations, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security and certain Railroad Retirement benefits and individuals who may be eligible for the earned income tax credit under Section 32 of the Code, are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the 2014 Obligations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the 2014 Obligations from gross income pursuant to Section 103 of the Code and the exclusion of interest on the 2014 Obligations in the determination of the alternative minimum tax. Prospective purchasers of the 2014 Obligations should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the 2014 Obligations.

The Internal Revenue Service (the "Service") has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the 2014 Obligations will be audited. If an audit is commenced, under current Service procedures the holders of the 2014 Obligations may not be permitted to participate in the audit process, and the value and liquidity of the 2014 Obligations may be adversely affected.

Future Events

Tax legislation, administrative action taken by tax authorities, and court decisions, at the Federal level, may adversely affect the exclusion from gross income of interest on the 2014 Obligations for federal income tax purposes, and tax legislation, administrative action taken by tax authorities and court decisions at the State level may adversely affect the exclusion of interest on and any gain realized on the sale of the 2014 Obligations under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions could adversely affect the market price or marketability of the 2014 Obligations. Bond Counsel is rendering its opinions under existing law 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 PURCHASER OF THE 2014 OBLIGATIONS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS. ALL POTENTIAL PURCHASERS OF THE 2014 OBLIGATIONS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

UNDERWRITING

The 2014 Series Notes are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated as underwriter of the 2014 Series Notes (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase all of the 2014 Series Notes at a purchase price: (i) with respect to the 2014 Series BB-1 Notes of $_____, which is equal to the aggregate principal amount of 2014 Series BB-1 Notes less an underwriter's discount in the amount of $_____ (the "2014 Series BB-1 Purchase Price"), (ii) with respect to the 2014 Series BB-2 Notes of $_____ which is equal to the aggregate principal amount of the 2014 Series BB-2 Notes less an underwriter's discount in the amount of $_____ (the "2014 Series BB-2 Purchase Price") and (iii) with respect to the 2014 Series BB-3 Notes of $_____ which is equal to the aggregate principal amount of the 2014 Series BB-3 Notes less an underwriter's discount in the amount of $_____ (the "2014 Series BB-3 Purchase Price" and, together with the 2014 Series BB-1 Purchase Price and the 2014 Series BB-2 Purchase Price, the "Purchase Price"). The initial public offering prices of the 2014 Series Notes set forth on the inside cover page of this Official Statement may be changed without notice by the Underwriter. The Underwriter may offer and sell the 2014 Series Notes to certain dealers (including dealers depositing 2014 Series Notes into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices or yields lower than the offering prices or yields set forth on the inside cover page hereof.

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 2014 Series Notes.

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., 33 Whitehall Street, 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 2014 Series Notes. 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 2014 Series Notes.

CONTINUING DISCLOSURE AGREEMENT

Upon the issuance and delivery of the 2014 Series Notes, 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 2014 Series Notes, 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, 2008, the State Treasurer failed to timely 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 reports for the Fiscal Year ended June 30, 2009 through June 30, 2013 were filed on time.

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, 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 Authority's Annual Report for its Fiscal Year ending June 30, 2010, was filed on March 10, 2011. The Authority's Annual Report for its Fiscal Year ending June 30, 2011, was filed on March 15, 2012. The Authority's Annual Report for its Fiscal Year ending June 30, 2012, was filed on March 13, 2013. The Authority's Annual Report for its Fiscal Year ending June 30, 2013, was filed on March 6, 2014. 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 2014 Series Notes will not require, that the Authority provide the Authority's Annual Report.

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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 2014 Series Notes 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 2014 Series Notes.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

By: _____
Gary Brune, Executive Director

Dated: _____, 2014

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APPENDIX I

FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

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APPENDIX I

DATED SEPTEMBER 8, 2014

FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

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

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

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

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

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

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

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

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

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THE STATE OF NEW JERSEY

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

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

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

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

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

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

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

SELECTED INFORMATION RELATING TO NEW JERSEY'S ECONOMIC CONDITION

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

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

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

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

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

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

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

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

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

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

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

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

CERTAIN CONSTITUTIONAL PROVISIONS

Budget Limitations

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

Debt Limitations

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

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

STATE FINANCES

New Jersey's Accounting System

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

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

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

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

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

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

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

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

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

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

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

New Jersey's Budget and Appropriation Process

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

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

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

Budget Requests and Preliminary Projections

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

Budget Director Review

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

Governor's Budget Message

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

Legislative Review

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

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

Governor's Line-Item Veto Power

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

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

Fiscal Controls

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

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

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

FINANCIAL RESULTS AND ESTIMATES

Audit Reports

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

Changes in Fund Balances

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

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

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

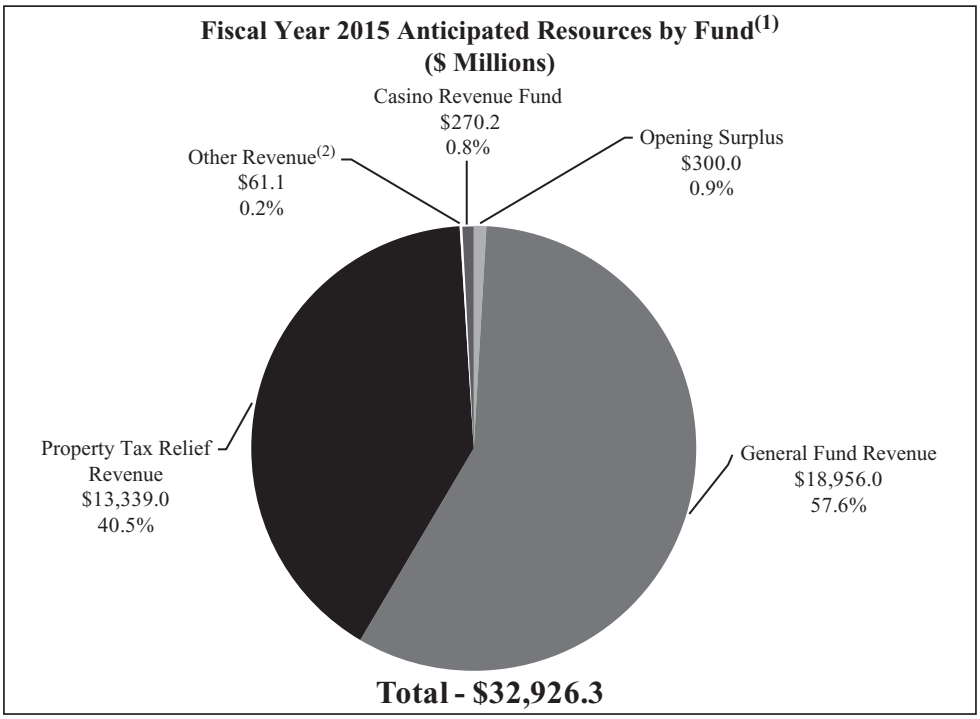
SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS
($ Millions)

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

Notes:

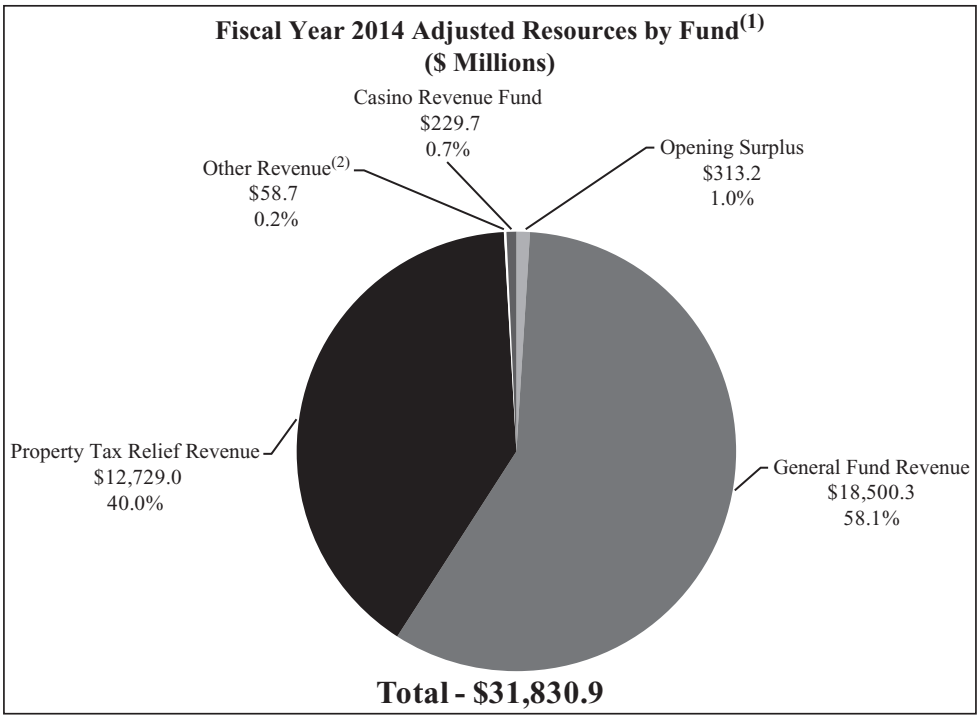
(1) Upon the end of the fiscal year, any unexpended or unencumbered balance in an appropriation reverts (lapses) to the June 30th ending undesignated fund balance, unless otherwise provided for in the Appropriations Act.

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



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

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



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

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

Revenues

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

REVENUES
($ Millions)

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

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

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

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

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

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

REVENUES
(% of Total)

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

Fiscal Year 2014 and Fiscal Year 2015 Estimated Resources

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

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

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

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

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

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

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

Fiscal Year 2014 Fund Balance
(In Millions)

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

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

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

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

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

Fiscal Year 2015
(In Millions)

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

Potential Impacts on Fiscal Year 2014 and Fiscal Year 2015 Revenues

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

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

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

Federal Aid

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

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

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

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

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

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

Appropriations

Appropriations–Fiscal Year 2011 through Fiscal Year 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks That May Lead to Increased Appropriations

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

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

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

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

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

Appropriations of Federal Aid

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

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

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

State Unemployment Insurance Trust Fund

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

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

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

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

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

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

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

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

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

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

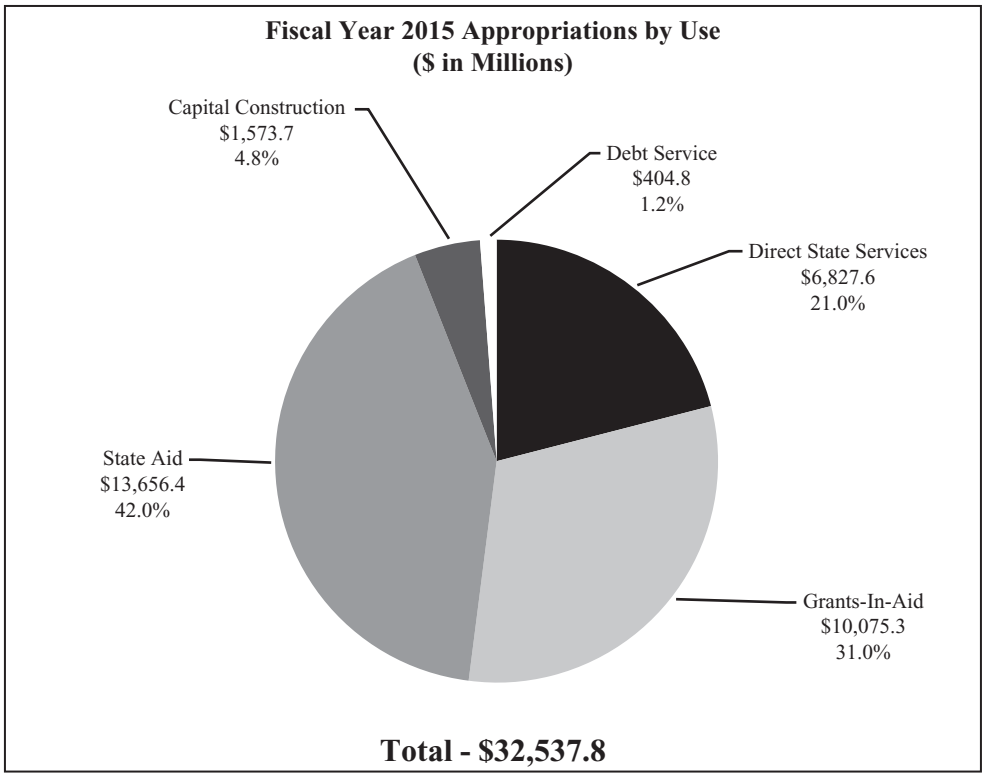
The following table sets forth, by major category, the original and enacted supplemental appropriations for Fiscal Years 2011 through 2014 and the appropriations for Fiscal Year 2015 as contained in the Fiscal Year 2015 Appropriations Act.

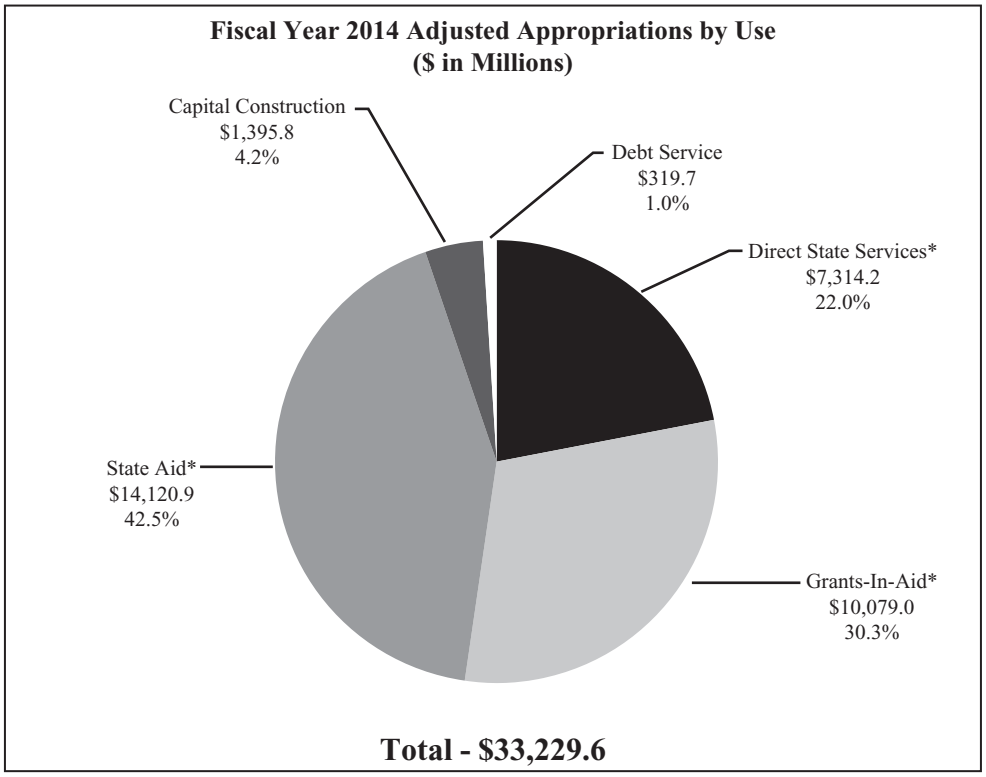
SUMMARY OF APPROPRIATIONS
($ Millions)

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

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

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





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

Programs Funded Under Appropriations in Fiscal Year 2015

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

State Aid

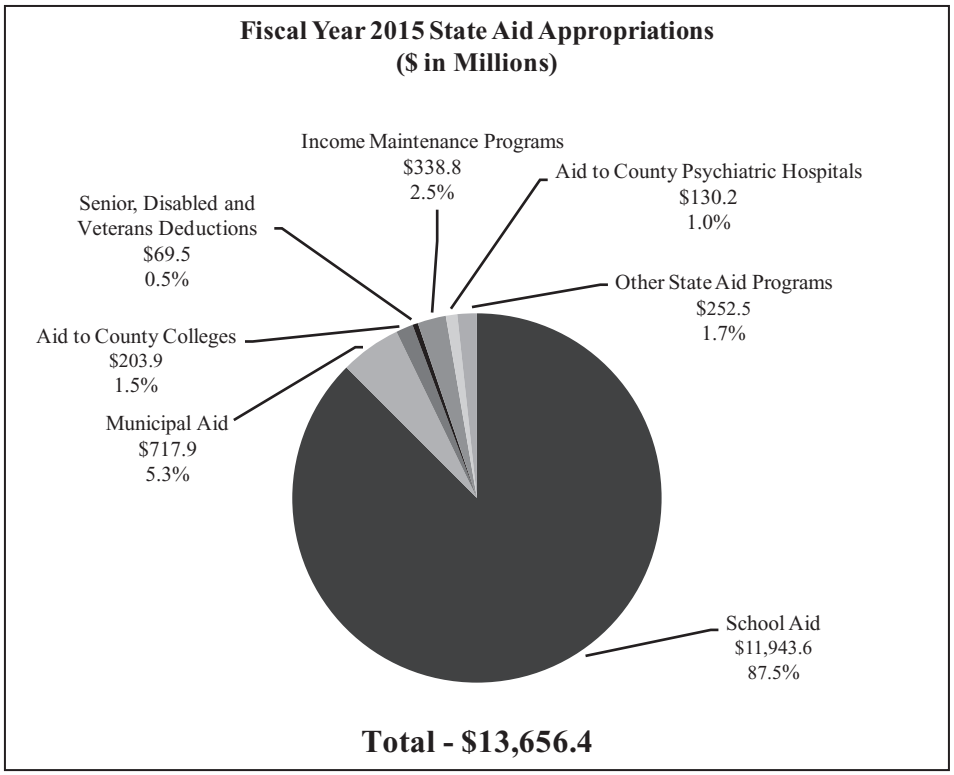
State Aid is the largest portion of Fiscal Year 2015 appropriations. These consist of payments to, or on behalf of, local government entities including counties, municipalities and school districts, to assist them in carrying out their local responsibilities.

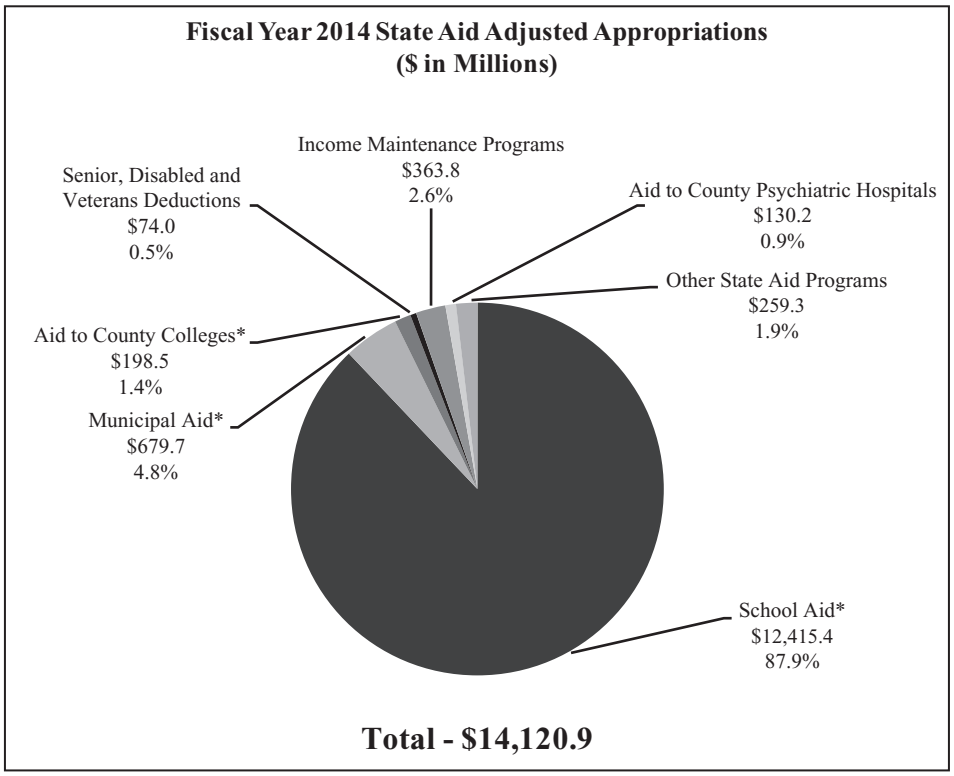
The largest State Aid appropriation, in the amount of $11,943.6 million, is appropriated for local preschool, elementary and secondary education programs. Of this amount, $8,580.6 million in formula aid for PreK-12 education, including School Choice Aid, will be distributed. Fiscal Year 2015 also includes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

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

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

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





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

Grants-in-Aid

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

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

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

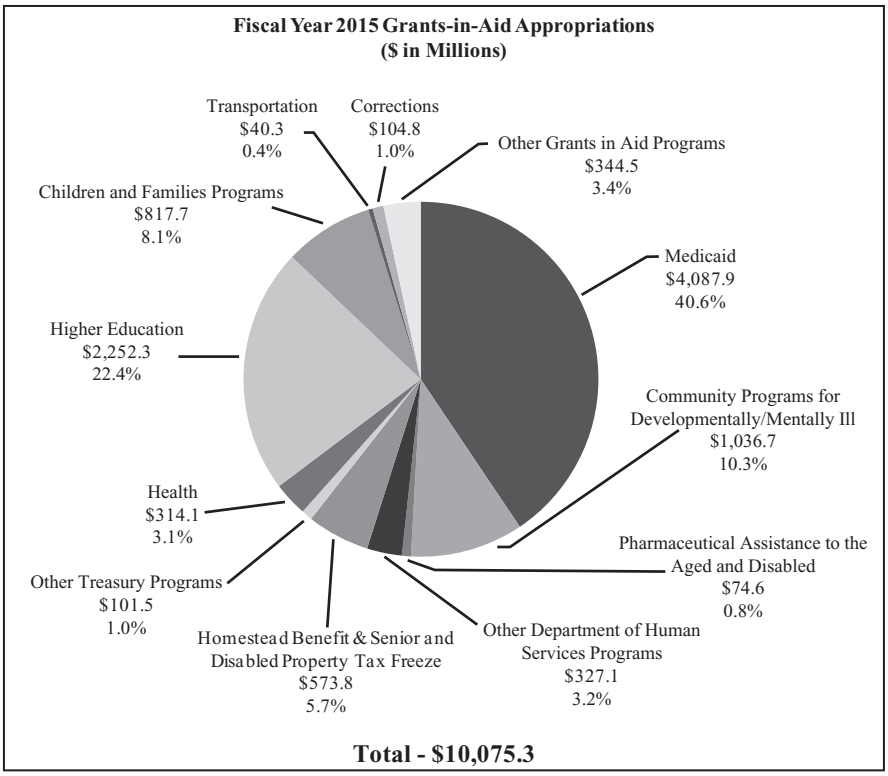
$817.7 million is appropriated for programs administered by the Department of Children and Families. Of that amount, $433.7 million is for child protective and permanency services, $320.0 million is for children's system of care services, and $64.0 million is for community programs intended to prevent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

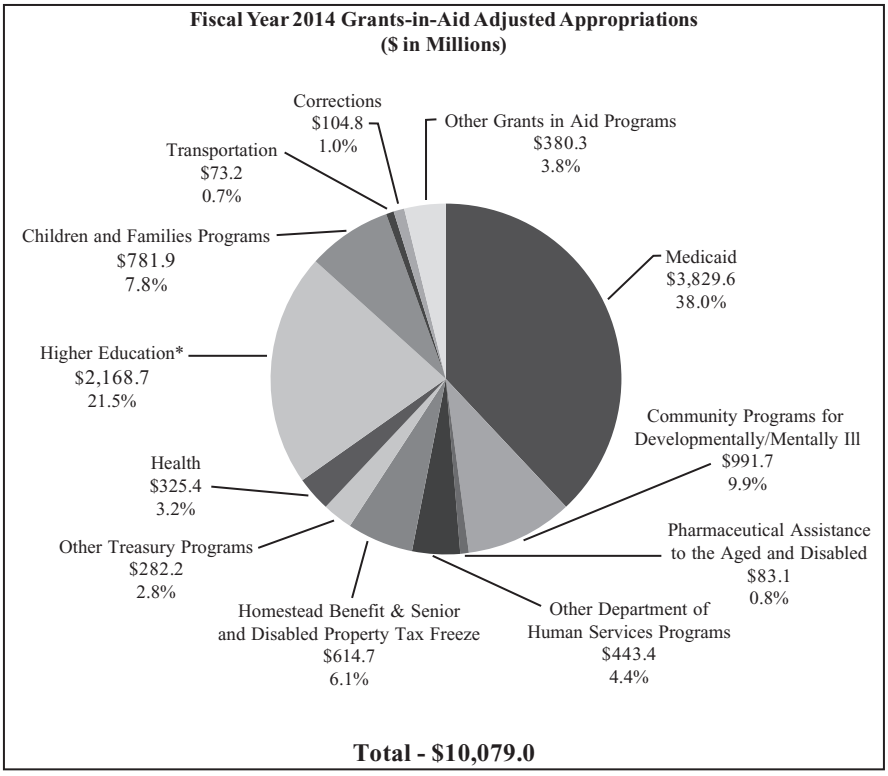
$734.8 million is appropriated for State colleges and universities. Other higher education appropriations are $563.3 million for various grant programs including $416.8 million for student financial assistance, $50.2 million for debt service on the Higher Education Capital Improvement Program, $48.4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

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

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

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





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

Direct State Services

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

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

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

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

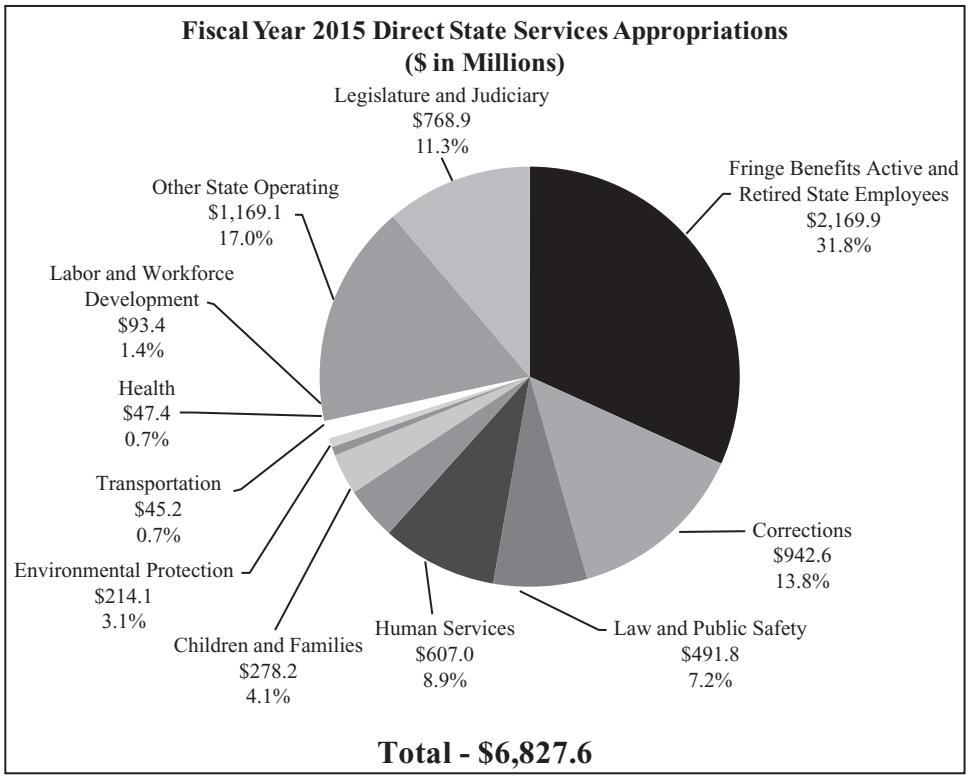
$278.2 million is appropriated for programs administered by the Department of Children and Families for various children's services programs.

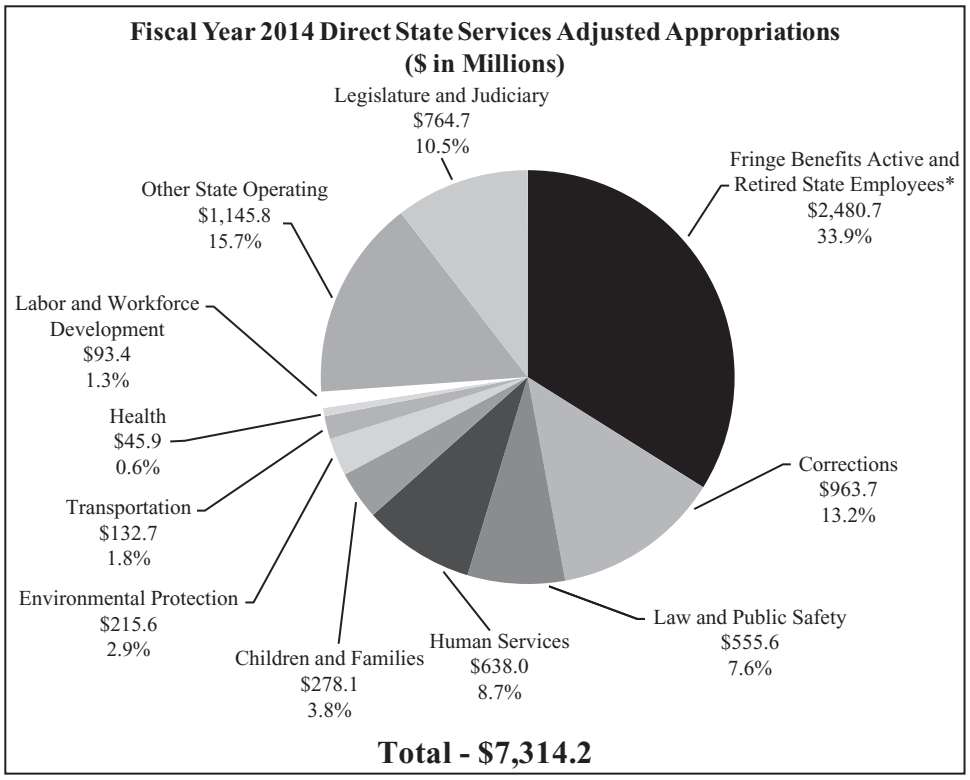
$214.1 million is appropriated for the Department of Environmental Protection for the protection of air, land, water, forest, wildlife and shellfish resources and for the provision of outdoor recreational facilities.

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

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

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





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

Capital Construction

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

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

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

Debt Service on General Obligation Bonds

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

Expenditures

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

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

EXPENDITURES
($ Millions)

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

Balance Sheets

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

GENERAL FUND
COMPARATIVE BALANCE SHEETS
(Audited)

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

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

BALANCE SHEETS
AS OF JUNE 30, 2013
(Audited)

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

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

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

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

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

OUTSTANDING BONDED INDEBTEDNESS OF THE STATE

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

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

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

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

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

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

TAX AND REVENUE ANTICIPATION NOTES

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

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

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

OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Garden State Preservation Trust

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

New Jersey Building Authority

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

New Jersey Economic Development Authority

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New Jersey Educational Facilities Authority

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

New Jersey Health Care Facilities Financing Authority

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

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

New Jersey Sports and Exposition Authority

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

New Jersey Transportation Trust Fund Authority

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

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

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

State of New Jersey Certificates of Participation

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

State Supported County College Bonds

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

Lines of Credit

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

Variable Rate Obligations

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

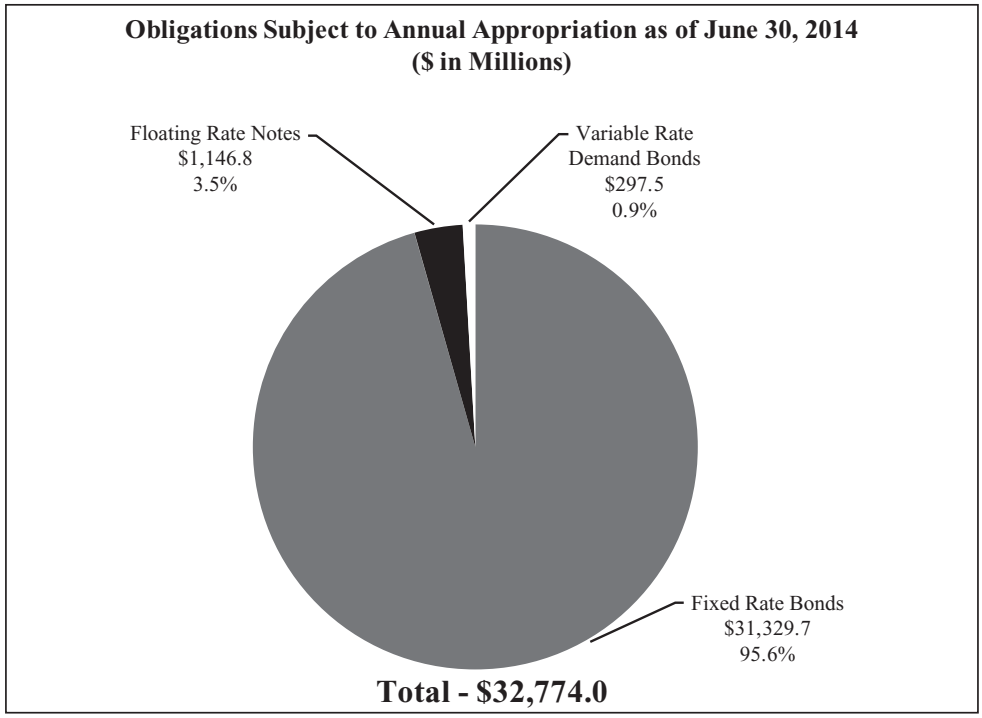
Additionally, as of June 30, 2014, the NJEDA had outstanding $1,146,750,000 of floating rate notes, which bear interest at a rate that resets monthly or weekly and is based on either the London InterBank Offering Rate ("LIBOR") plus a fixed spread or the Securities Industry and Financial Markets Association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

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

SUMMARY OF VARIABLE RATE OBLIGATIONS AS OF JUNE 30, 2014

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

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



Swap Agreements

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

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

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

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

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

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

MORAL OBLIGATION FINANCING

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

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

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

New Jersey Housing and Mortgage Finance Agency

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

South Jersey Port Corporation

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

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

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

Higher Education Student Assistance Authority

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

STATE EMPLOYEES

Public Employer-Employee Relations Act

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

Negotiation Process

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

Contract Status

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE FUNDING OF PENSION PLANS

General

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

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

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

Membership of the Pension Plans

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

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

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

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

Actuarial Valuations, Assumptions and Methodologies

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

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

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

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

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

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

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

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

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

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

Investment Portfolio

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

Benefits

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

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

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

State's Financial Responsibility to the Pension Plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Estimated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pension Reforms

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

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

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

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

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

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

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

Alternate Benefit Program

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

Defined Contribution Retirement Program

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

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

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

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

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

Recent Accounting Changes Affecting Pension Plans Generally.

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

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

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

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

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

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

FUNDING POST-RETIREMENT MEDICAL BENEFITS

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

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

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

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

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

*Assuming no pre-funding of obligations

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

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

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

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

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

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

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

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

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

LITIGATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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APPENDIX-I-A

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

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

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

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APPENDIX-I-B
DEMOGRAPHIC AND ECONOMIC INFORMATION

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TABLE I

STATE OF NEW JERSEY
THIRTY LARGEST
NON-GOVERNMENTAL EMPLOYERS
2014

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

Source: New Jersey Business Magazine, August 2014

TABLE II

POPULATION CHANGES

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

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

TABLE III

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

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

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

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

TABLE IV

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

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

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

TABLE V

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

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

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

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

TABLE VI

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

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

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

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

TABLE VII

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

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

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

TABLE VIII

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

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

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

TABLE IX

NEW VEHICLE SALES
NEW JERSEY
2003-2013

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

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

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

TABLE X

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

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

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

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

TABLE XI

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

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

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

APPENDIX-I-C
SUMMARY OF PRINCIPAL STATE TAXES

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SUMMARY OF PRINCIPAL STATE TAXES

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Summary of Principal State Taxes

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

Alcoholic Beverage Tax

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

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

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

Casino Control Tax

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

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

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

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

Cigarette Tax and Tobacco Products Wholesale Tax

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

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

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

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

Clean Communities and Recycling Grant User Fee (User Fee)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cosmetic Medical Procedures Gross Receipts Tax

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

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

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

Energy Tax Receipts

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

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

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

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

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

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

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

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

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

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

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

Gross Income Tax (GIT)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hazardous Substance Transfer Tax and Hazardous Substance Cleanup and Remediation Fees

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

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

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

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

Homestead Property Tax Credit Act

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

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

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

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

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

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

Homestead Property Tax Reimbursement

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

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

Hotel and Motel Occupancy Fee

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

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

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

Insurance Premiums Tax

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

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

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

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

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

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

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

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

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

Litter Control Fee

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

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

Local Tire Management Program Fee

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

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

Motor Fuels Tax

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

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

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

Nursing Home Quality of Care Improvement Fund Act

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

Petroleum Products Gross Receipts Tax

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

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

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

Public Community Water System Tax

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

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

Realty Transfer Tax

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

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

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

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

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

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

Sales and Use Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sanitary Landfill Facility Taxes

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

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

Savings Institution Tax

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

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

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

Recycling Tax

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

Former Rate: $1.50/ton

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

Current Rate (2008): $3.00/ton

Spill Compensation and Control Tax

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

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

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

Sports and Entertainment District Urban Revitalization Taxes

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

Transfer Inheritance and Estate Tax

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

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

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

Tourism Tax

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

Current Rate: not to exceed 2%.

Voice Grade Access Line and Service Number Fees

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

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

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

APPENDIX II

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.

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 CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is made as of the 1st day of November, 2014, 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 (the "General Resolution"), as amended and supplemented, including by the Third Supplemental Transportation Program Bond Resolution adopted by the Authority on October 22, 2014 (the "Third Supplemental Resolution"), and a Series Certificate of the Authority dated as of _____, 2014, (the "Series Certificate", and together with the General Resolution and the Third Supplemental Resolution, the "Resolution"). This Disclosure Agreement is entered into in connection with the issuance and sale of the Authority's $_____ aggregate principal amount of Transportation Program Notes (SIFMA Index Multimodal Notes), 2014 Series BB (the "2014 Series BB Notes"), consisting of $_____ aggregate principal amount of Transportation Program Notes (SIFMA Index Multimodal Notes), 2014 Series BB-1, $_____ aggregate principal amount of Transportation Program Notes (SIFMA Index Multimodal Notes), 2014 Series BB-2 and $_____ aggregate principal amount of Transportation Program Notes (SIFMA Index Multimodal Notes), 2014 Series BB-3.

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 2014 Series BB Notes (collectively, the "Noteholders" or "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 2014 Series BB Notes.

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) each Treasurer's Annual Report, (ii) any notice required to be filed with the MSRB pursuant to Section 3(c) of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed with the MSRB pursuant to Section 5(c) of this Disclosure Agreement;

"Listed Event or Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement;

"MSRB" shall mean the Municipal Securities Rulemaking Board;

"Opinion of Counsel" shall mean a written opinion of counsel expert in federal securities law acceptable to the Treasurer and the Authority;

"Rule" shall mean Rule 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 2014 Series BB Notes; and

"Treasurer's Annual Report" shall mean the Treasurer's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

SECTION 3. Provision of the Treasurer's Annual Report.

(a) The Treasurer shall, no later than March 15, 2015 and March 15 of each year during which any of the 2014 Series BB Notes 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 required 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 2014 Series BB Notes: "STATE FINANCES," "FINANCIAL RESULTS AND ESTIMATES," "OUTSTANDING BONDED INDEBTEDNESS OF THE STATE," "TAX AND REVENUE ANTICIPATION NOTES," "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION," "MORAL OBLIGATION FINANCING," "STATE EMPLOYEES," "STATE FUNDING OF PENSIONS PLANS," "FUNDING POST-RETIREMENT MEDICAL BENEFITS" and "LITIGATION" and (ii) "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013", being the audit report prepared annually by the Office of the State Auditor with respect to the State's general purpose financial statements for each year, as set forth in APPENDIX-I-A attached to such APPENDIX I described above, all such financial information included in clauses (i) and (ii) above being prepared using the accounting standards set forth in subsection (b) of this Section 4.

(b) The State prepares its financial statements in accordance with the provisions of Statements No. 34 and No. 35 of the Governmental Accounting Standards Board.

SECTION 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following listed events (the "Listed Events"):

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2014 Series BB Notes, or other material events affecting the tax status of the 2014 Series BB Notes;

(7) Modifications to rights of Noteholders, if material;

(8) Note calls, if material, and tender offers;

(9) Defeasances of the 2014 Series BB Notes;

(10) Release, substitution, or sale of property securing repayment of the 2014 Series BB Notes, if material;

(11) Rating changes relating to the 2014 Series BB Notes;

(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 2014 Series BB Notes or the change of name of a trustee for the 2014 Series BB Notes, 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. 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 Holders of affected 2014 Series BB Notes 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 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 2014 Series BB Notes.

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 2014 Series BB Notes affected by such failure shall), or any Noteholder 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 Noteholder 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 Section 806 of the General 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 Noteholders, and each Noteholder 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 Resolution relating to reimbursement of the Dissemination Agent, 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) If to the Authority:

New Jersey Transportation Trust Fund Authority
1035 Parkway Avenue
P.O. Box 600
Trenton, New Jersey 08625
Attention: Executive Director

(ii) If to the Treasurer:

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
Attention: Director, Office of Public Finance

(iii) If to the Dissemination Agent:

U.S. Bank National Association
21 South Street, 3rd Floor
Morristown, New Jersey 07960
Attention: Paul D. O'Brien, Vice President

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 D. 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 issue affected: $_____Transportation Program Notes (SIFMA Index Multimodal Notes), 2014 Series BB

Date of Issuance of affected Bond issue: November ___, 2014

NOTICE IS HEREBY GIVEN that the Treasurer of the State of New Jersey has not provided the Treasurer's Annual Report with respect to the above named Bond issues as required by Section 3 of the Continuing Disclosure Agreement dated as of November 1, 2014, among the Treasurer, the 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

cc: Treasurer
New Jersey Transportation Trust Fund Authority

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APPENDIX V

FORM OF OPINION OF BOND COUNSEL

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[SIMULTANEOUSLY WITH THE ISSUANCE AND DELIVERY OF THE SERIES 2014 BB NOTES, DECOTIIS, FITZPATRICK & COLE, LLP, IS EXPECTED TO RENDER ITS APPROVING OPINION OF BOND COUNSEL IN SUBSTANTIALLY THE FOLLOWING FORM]

[CLOSING DATE]

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 Notes (SIFMA Index Multimodal Notes), 2014 Series BB

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 Notes (SIFMA Index Multimodal Notes), 2014 Series BB in the aggregate principal amount of $_____ (the "2014 Series Notes") , consisting of $_____ aggregate principal amount of Transportation Program Notes (SIFMA Index Multimodal Notes), 2014 Series BB-1, $_____ aggregate principal amount of Transportation Program Notes (SIFMA Index Multimodal Notes), 2014 Series BB-2 and $_____ aggregate principal amount of Transportation Program Notes (SIFMA Index Multimodal Notes), 2014 Series BB-3.

The 2014 Series Notes 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 Third Supplemental Transportation Program Bond Resolution adopted on October 22, 2014 (the "Third Supplemental Resolution") and a Series Certificate dated November __, 2014 (the "Series Certificate;" the Bond Resolution, as amended and supplemented, including by the Third 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 2014 Series Notes are being issued for the purpose of (i) paying State Transportation System Costs (as defined herein), and (ii) paying certain costs of issuance of the 2014 Series Notes.

The 2014 Series Notes are dated and bear interest from their date of issuance and delivery. Interest on the 2014 Series Notes will be payable on the first Business Day of each month, commencing January 1, 2015 (each an "Interest Payment Date"). Interest on the 2014 Series Notes will be payable at the Adjusted SIFMA Rate payable on each Interest Payment Date until maturity, earlier redemption or conversion to a different interest rate mode. The 2014 Series Notes of each Sub-Series will mature on June 15, in each of the years and will be subject to redemption prior to maturity and optional and mandatory tender for purchase all as set forth in the Resolution.

The 2014 Series Notes 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 2014 Series Notes 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 2014 Series Notes, 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 2014 Series Notes. 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 2014 Series Notes 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 2014 Series Notes.

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 2014 Series Notes, 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 2014 Series Notes.

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 2014 Series Notes 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 2014 Series Notes are treated for federal tax purposes as part of a single issue with the Authority's Transportation Program Bonds, 2014 Series AA (the "2014 Series Bonds" and, together with the 2014 Series Notes, the "2014 Series Obligations"). 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 2014 Series Obligations in order that interest on the 2014 Series Obligations 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 2014 Series Obligations (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 2014 Series Obligations 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 2014 Series Obligations 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 2014 Series Obligations 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 2014 Series Obligations in “adjusted current earnings.”

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 2014 Series Obligations 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 2014 Series Obligations 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 2014 Series Notes 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 2014 Series Notes.

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,

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