PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 13, 2022

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Fitch: "BBB+"
KBRA: "A-"
Moody's: "Baa1"
S&P: "BBB"
(See "RATINGS" herein)

$750,000,000*
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY TRANSPORTATION PROGRAM BONDS, 2022 SERIES BB

Dated: Date of Delivery **Maturity Date: June 15, as set 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 $750,000,000* Transportation Program Bonds, 2022 Series BB (the "2022 Series BB Bonds").

Tax Matters: In the opinion of Bond Counsel, assuming compliance by the Authority with certain tax requirements described in "TAX MATTERS" herein, under existing law, interest on the 2022 Series BB Bonds is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as an item of tax preference in calculating the federal alternative minimum tax. Based upon existing law, interest on the 2022 Series BB Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

Redemption: The 2022 Series BB Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE 2022 SERIES BB BONDS – Redemption Provisions" herein.

Security: The 2022 Series BB Bonds are special obligations of the Authority, secured primarily by payments made by the State of New Jersey (the "State") to the Authority under an agreement entitled: "Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with respect to Transportation Program Bonds" dated as of January 9, 2019 (the "State Contract"), as 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 BONDS" herein.

The 2022 Series BB Bonds shall not, in any way, be a debt or liability of the State or of any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution (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.

Purposes: The 2022 Series BB Bonds are being issued for the purposes of: (i) paying State Transportation System Costs (as defined herein) and (ii) paying the costs of issuance of the 2022 Series BB Bonds. See "PLAN OF FINANCE" herein.

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

Interest Payment Dates: Interest on the 2022 Series BB Bonds is payable on June 15 and December 15, commencing June 15, 2022.

Denominations: The 2022 Series BB Bonds will be issued in denominations of $5,000 or any integral multiple in excess thereof.

Trustee: U.S. Bank National Association, Edison, New Jersey

Issuer Contact: Office of Public Finance, New Jersey Department of the Treasury (609) 984-4888.

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

This cover page contains certain information for quick reference only. Investors should read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2022 Series BB Bonds are offered when, as and if issued and subject to the receipt of the approving legal opinion of Chiesa Shahinian & Giantomasi PC, West Orange, New Jersey, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by the Attorney General of the State, General Counsel to the Authority and for the Underwriters by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey. The 2022 Series BB Bonds in definitive form are expected to be available for delivery through DTC on or about January __, 2022.

J.P. Morgan

BofA Securities **Siebert Williams Shank & Co., LLC** **Wells Fargo Corporate & Investment Banking**

Bancroft Capital, LLC **D.A. Davidson & Co.** **Loop Capital Markets**

Mischler Financial **Raymond James**

Official Statement Dated: January __, 2022

*Preliminary, subject to change.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

$750,000,000*
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
TRANSPORTATION PROGRAM BONDS,
2022 SERIES BB

Maturity Date* (June 15)	Principal Amount*	Interest Rate	Yield	Price	CUSIP†
2031	$22,940,000	%	%		
2032	24,085,000				
2033	25,290,000				
2034	26,555,000				
2035	27,885,000				
2036	29,280,000				
2037	30,740,000				
2038	32,280,000				
2039	33,895,000				
2040	35,585,000				
2041	37,365,000				
2042	39,235,000				

$176,245,000* _____% Term Bond due June 15, 2046*, Price _____% to Yield ____% CUSIP No.†

$208,620,000* _____% Term Bond due June 15, 2050*, Price _____% to Yield ____% CUSIP No.†

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* Preliminary, subject to change.

† Registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is operated on behalf of the American Bankers Association by S&P's Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the 2022 Series BB Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2022 Series BB Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2022 Series BB Bonds.

IN CONNECTION WITH THE OFFERING OF THE 2022 SERIES BB BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2022 SERIES BB BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2022 SERIES BB BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement in connection with the offering of the 2022 Series BB Bonds and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of the 2022 Series BB Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Certain information contained herein has been obtained from the State and other sources which are believed to be reliable. However, it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation of the Authority. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sales made hereunder shall, under any circumstances, create any implication that there has been no change in such information since the date thereof. The information in this Official Statement concerning The Depository Trust Company ("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 2022 Series BB Bonds, the principal documents related to the security for the 2022 Series BB Bonds and certain applicable laws. All references herein to laws and documents are qualified in their entirety by reference to such laws, as in effect, and to each such document as such document has been or will be executed and delivered on or prior to the date of issuance of the 2022 Series BB Bonds, and all references to the 2022 Series BB Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Resolution (as defined herein).

The 2022 Series BB Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the 2022 Series BB Bonds and the security therefor, including an analysis of the risks involved. The 2022 Series BB Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the 2022 Series BB Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the 2022 Series BB Bonds have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the 2022 Series BB Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of the 2022 Series BB Bonds.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward looking statements. A number of important factors affecting the Authority and its programs could cause actual results to differ materially from those stated in the forward looking statements.

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OFFICIAL STATEMENT
relating to

$750,000,000*
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
TRANSPORTATION PROGRAM BONDS, 2022 SERIES BB

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 750,000,000* Transportation Program Bonds, 2022 Series BB (the "2022 Series BB Bonds"). The Authority is issuing the 2022 Series BB Bonds for the purposes of: (i) paying State Transportation System Costs (as defined herein) and (ii) paying the costs of issuance of the 2022 Series BB Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

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

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

The Act, among other things, provides for (i) the funding of transportation projects and (ii) the issuance of bonds, notes or other obligations, including subordinated obligations, by the Authority. The Act, as most recently amended by L. 2016, c. 56, enacted on October 14, 2016 (the "2016 Legislation"), authorizes the issuance of new money Transportation Program Bonds for the period commencing on the day that Assembly Concurrent Resolution No. 1 of 2015, an amendment to Article VIII, Section II, paragraph 4 of the New Jersey Constitution, took effect (December 8, 2016), and ending June 30, 2024 in an amount not in excess of $12,000,000,000. The issuance of bonds, notes or other obligations, including subordinated obligations, of the Authority for refunding purposes is not subject to the foregoing limit; except that, any premiums received in connection with the issuance of Transportation Program Bonds during such period (whether for new money purposes or for refunding purposes) shall count against any limitation as to the amount of new money Transportation Program Bonds the Authority may issue during such period. See "STATUTORY DEBT ISSUANCE LIMITATIONS" herein.

The Act, as amended by L. 2012, c. 13, effective on June 29, 2012 (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 –

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* Preliminary, subject to change.

Subaccount for Debt Service for Transportation Program Bonds (the "Subaccount for Debt Service for Transportation Program Bonds") established pursuant to the Act. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2022 SERIES BB BONDS – Constitutional Dedication of Certain State Revenues" herein.

To implement the 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 "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 amended and restated in its entirety by an agreement entitled "Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with Respect to Transportation Program Bonds," dated as of January 9, 2019, as may be further amended from time to time (as amended and restated, the "State Contract").

The 2022 Series BB Bonds are being issued pursuant to the Act and the 2012 Transportation Program Bond Resolution, as amended and supplemented, including by the Eleventh Supplemental Transportation Program Bond Resolution, adopted on December 16, 2021 (the "Eleventh Supplemental Resolution") and a series certificate of the Authority to be dated as of the date of sale of the 2022 Series BB Bonds (the "Series Certificate"). The Authority's 2012 Transportation Program Bond Resolution, as amended and supplemented, including by the Eleventh 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." Bonds issued under the Resolution are, pursuant to the Resolution, designated as "Transportation Program Bonds." U.S. Bank National Association, Edison, New Jersey, has been appointed as trustee (the "Trustee") and paying agent (the "Paying Agent") by the Authority for obligations issued under the Resolution, including the 2022 Series BB Bonds.

The Resolution constitutes a contract between the Authority and the holders of the bonds issued and outstanding thereunder. All such bonds issued pursuant to the Resolution, including the 2022 Series BB Bonds, are referred to collectively as the "Bonds." All capitalized terms used but not defined in this Official Statement shall have the meanings given to them in the Resolution. See "APPENDIX II — COPY OF THE 2012 TRANSPORTATION PROGRAM BOND RESOLUTION."

The 2022 Series BB Bonds offered hereby are the tenth Series of Bonds (or notes, as applicable), to be issued under the Resolution and will be secured on a parity with the Authority's Transportation Program Bonds, 2012 Series AA issued on December 11, 2012; Transportation Program Bonds, 2013 Series AA issued on August 24, 2013; Transportation Program Bonds, 2014 Series AA issued on November 25, 2014; Transportation Program Notes, 2014 Series BB-1 issued on November 25, 2014 (which were subsequently remarketed as Transportation Program Notes (Fixed Rate) 2014 Series BB-1 on October 3, 2019); Transportation Program Notes, 2014 Series BB-2 issued on November 25, 2014 (which were subsequently remarketed as Transportation Program Notes (Fixed Rate) 2014 Series BB-2 on May 6, 2021); Transportation Program Bonds, 2015 Series AA issued on December 2, 2015; Transportation Program Bonds, 2019 Series AA issued on January 16, 2019; Transportation Program Bonds, 2019 Series BB issued on October 3, 2019; and Transportation Program Bonds, 2020 Series AA issued on December 15, 2020 (collectively, the "Prior Program Bonds"), and with all Bonds to be issued from time to time under the Resolution, including the 2022 Series AA Bonds (as defined below).

The Authority and certain underwriters have entered into a Forward Delivery Bond Purchase Contract, dated April 28, 2021 (the "2022 Series AA Forward Delivery Purchase Contract"), relating to the sale and issuance by the Authority of $589,250,000 aggregate principal amount of its Transportation

Program Bonds, 2022 Series AA (Forward Delivery) (the "2022 Series AA Bonds"). Assuming the conditions to closing set forth in the 2022 Series AA Forward Delivery Purchase Contract are satisfied, on April 27, 2022, the Authority will issue the 2022 Series AA Bonds under the Resolution for the purposes of: (i) refunding certain outstanding Prior Program Bonds; and (ii) paying the costs of issuance of the 2022 Series AA Bonds.

As of January 1, 2022, the aggregate principal amount of Prior Program Bonds Outstanding is $6,212,155,000. After the issuance of the 2022 Series BB Bonds and the expected issuance of the 2022 Series AA Bonds on April 27, 2022, the Authority will have Outstanding $6,108,145,000* in aggregate principal amount of Bonds issued under the Resolution.

The 2022 Series BB Bonds are secured by the Pledged Property (as defined in the Resolution) which consists primarily of revenues received by the Authority from the State pursuant to the Act and the State Contract (as defined herein). The payment of all such revenues to the Authority is subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature (the "State Legislature"). However, the State Legislature has no legal obligation to make any such appropriations. The 2022 Series BB Bonds will be secured on parity with all Bonds issued and to be issued from time to time under the Resolution. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2022 SERIES BB BONDS - Property Pledged to the 2022 Series BB Bonds; the State Contract; the Act; the Resolution" herein.

As of January 1, 2022, the Authority had outstanding $8,620,990,716 in aggregate principal amount of its Transportation System Bonds (the "Outstanding Prior Bonds") issued under its 1995 Transportation System Bond Resolution, as amended and supplemented (the "Prior Bond Resolution"). Additionally, the Authority and certain underwriters have entered into a Forward Delivery Bond Purchase Contract, dated April 28, 2021 (the "2022 Series A Forward Delivery Purchase Contract"), relating to the sale and issuance by the Authority of $304,500,000 aggregate principal amount of its Transportation System Bonds, 2022 Series A (Forward Delivery) (the "2022 Series A Bonds" and, together with the Outstanding Prior Bonds, the "Prior Bonds"). Assuming the conditions to closing set forth in the 2022 Series A Forward Delivery Purchase Contract are satisfied, on April 27, 2022, the Authority will issue the 2022 Series A Bonds under the Prior Bond Resolution for the purposes of: (i) refunding certain Outstanding Prior Bonds; and (ii) paying the costs of issuance of the 2022 Series A Bonds.

All Prior Bonds are payable from the Constitutionally Dedicated Revenues, which are also the source of payment for the Transportation Program Bonds, and the Prior Bonds also benefit from certain statutorily dedicated revenues which may not be used to pay debt service on Transportation Program Bonds. It is anticipated that no further bonds will be issued under the Prior Bond Resolution other than Refunding Bonds (as such term is defined therein). Bonds issued by the Authority to finance future State Transportation System Costs are expected to be issued as (i) Transportation Program Bonds under the Program Bond Resolution, and (ii) Federal Highway Reimbursement Notes.

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 2022 Series BB Bonds are qualified in their entirety by reference to the definitive forms thereof and the provisions with respect thereto contained in the Resolution. SEE "APPENDIX II – COPY OF THE 2012 TRANSPORTATION PROGRAM BOND RESOLUTION" and "APPENDIX III – COPY OF THE STATE CONTRACT" herein.

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* Preliminary, subject to change.

DESCRIPTION OF THE 2022 SERIES BB BONDS

General

The Resolution, the State Contract and all provisions thereof are incorporated by reference in the text of the 2022 Series BB Bonds. Copies of the Resolution, including the full text of the form of the 2022 Series BB Bonds, and the State Contract are on file at the principal corporate trust office of the Trustee and are available there for inspection and copying. The following is a summary of certain provisions of the 2022 Series BB Bonds and is qualified by reference thereto.

The 2022 Series BB Bonds

The 2022 Series BB Bonds will be dated their date of delivery, and will mature on the dates and in the principal amounts shown on the inside cover of this Official Statement. The 2022 Series BB Bonds will be issued in denominations of $5,000 or any integral multiple thereof (an "Authorized Denomination") and will bear interest at the rates shown on the inside cover of this Official Statement, payable initially on June 15, 2022, and semiannually thereafter on June 15 and December 15 in each year, until maturity or prior redemption. Interest will be payable by the Trustee to those registered owners of the applicable 2022 Series BB Bonds whose names appear on the bond register as of the fifteenth (15th) day next preceding each June 15 and December 15 (the "Record Date"). Interest on the 2022 Series BB Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The principal and redemption price of the 2022 Series BB Bonds will be payable upon presentation and surrender of the 2022 Series BB Bonds at the corporate trust office of the Trustee designated by the Trustee. Interest on the 2022 Series BB Bonds will be payable by check mailed to the registered owners thereof. However, interest on the 2022 Series BB Bonds will be paid to any owner of $1,000,000 or more in aggregate principal amount of 2022 Series BB Bonds by wire transfer to a wire transfer address within the continental United States upon the written request of such owner received by the Trustee not less than five (5) days prior to the Record Date.

The Depository Trust Company ("DTC") will act as securities depository for the 2022 Series BB Bonds. So long as DTC or its nominee is the registered owner of the 2022 Series BB Bonds, payments of the principal of and interest on the 2022 Series BB Bonds will be made by the Paying Agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the Beneficial Owners of the 2022 Series BB Bonds. See "APPENDIX VI - BOOK-ENTRY ONLY SYSTEM."

The 2022 Series BB Bonds will be issued in the form of a fully registered certificate for each maturity of the 2022 Series BB Bonds and, if applicable, each interest rate within a maturity of the 2022 Series BB Bonds, with such certificates being in the aggregate principal amount of the 2022 Series BB Bonds, and when issued, will be registered in the name of Cede & Co., as nominee of DTC. See "APPENDIX VI - BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

Optional Redemption. The 2022 Series BB Bonds maturing on or after June 15, 2032* are subject to optional redemption prior to maturity at the option of the Authority, at any time on or after December 15, 2031*, either in whole or in part, from maturities, and, where applicable, interest rates within

* Preliminary, subject to change.

maturities, selected by the Authority at a Redemption Price equal to 100% of the principal amount of the 2022 Series BB Bonds being redeemed, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The 2022 Series BB Bonds maturing on June 15, 2046* are subject to mandatory sinking fund redemption prior to maturity, in part, on June 15 in each of the years and in the respective principal amounts set forth below, at a Redemption Price equal to 100% of the principal amount being redeemed, plus accrued interest, if any, to the date of redemption, from Mandatory Sinking Fund Installments:

Year*	Principal Amount*
2043	$ 41,195,000
2044	43,050,000
2045	44,990,000
2046†	47,010,000

† Final maturity

The 2022 Series BB Bonds maturing on June 15, 2050* are subject to mandatory sinking fund redemption prior to maturity, in part, on June 15 in each of the years and in the respective principal amounts set forth below, at a Redemption Price equal to 100% of the principal amount being redeemed, plus accrued interest, if any, to the date of redemption, from Mandatory Sinking Fund Installments:

Year*	Principal Amount*
2047	$ 49,130,000
2048	51,095,000
2049	53,135,000
2050†	55,260,000

† Final maturity

The 2022 Series BB Bonds may be purchased by the Authority to satisfy the above Sinking Fund Installments from amounts on deposit in the Program Debt Service Fund or from other available funds of the Authority.

Selection of 2022 Series BB Bonds to be Redeemed. If less than all 2022 Series BB Bonds are called for redemption, the Authority will select the maturity or maturities of the 2022 Series BB Bonds to be redeemed. If less than all of the 2022 Series BB Bonds of like maturity shall be called for prior redemption, the particular 2022 Series BB Bonds or portions of 2022 Series BB 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. However, the portion of any 2022 Series BB Bond to be redeemed shall be in the principal amount of $5,000 or any multiple thereof, and in selecting 2022 Series BB Bonds for redemption, the Trustee is required to treat each such 2022 Series BB Bond as representing that number of 2022 Series BB Bonds which is obtained by dividing the principal amount of such 2022 Series BB Bond by $5,000. While the 2022 Series BB Bonds are in book-entry only form, DTC's practice is to determine by lot the amount of the interest of each Direct Participant (as such term is defined in APPENDIX VI) to be redeemed.

* Preliminary, subject to change.

Adjustment of Sinking Fund Installments Upon Redemption of Bonds. Upon any purchase or redemption (other than mandatory sinking fund redemption) of the 2022 Series BB Bonds of any 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 2022 Series BB Bonds so purchased or redeemed bears to the total amount of all such sinking fund installments to be so credited.

Notice of Redemption

When the Trustee shall receive notice from the Authority of its election or direction to redeem 2022 Series BB Bonds, and when redemption of 2022 Series BB Bonds is authorized or required, the Trustee shall give notice, in the name of the Authority, of the redemption of such 2022 Series BB Bonds, which notice shall specify the maturities (and, if applicable, interest rate within a maturity) of the 2022 Series BB 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 2022 Series BB Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such 2022 Series BB Bonds so to be redeemed, and, in the case of 2022 Series BB 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 2022 Series BB Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of 2022 Series BB Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, postage prepaid, not less than twenty-five (25) days prior to the redemption date, to the registered owners of any 2022 Series BB Bonds or portions of 2022 Series BB Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure of the registered owner of any 2022 Series BB Bonds which are to be redeemed to receive any notice shall not affect the validity of the proceedings for the redemption of the 2022 Series BB 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 2022 Series BB Bonds called for redemption, such notice shall state that it is conditional and subject to the deposit of the redemption moneys with the Trustee or the Paying Agent, as applicable, on the Redemption Date, and such notice shall be of no effect unless such moneys are so deposited.

So long as DTC is acting as securities depository for the 2022 Series BB Bonds, all notices of redemption required to be given to the registered owners of the 2022 Series BB Bonds will be given to DTC.

Mandatory Tender for Purchase in Lieu of Optional Redemption

Whenever any 2022 Series BB 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 2022 Series BB Bonds, elect to call such 2022 Series BB Bonds for mandatory tender for purchase in lieu of optional redemption at a purchase price equal to the then applicable Redemption Price of such 2022 Series BB Bonds. The Authority shall give written notice to the Trustee of its election not less than two (2) Business Days prior to the date on which the Trustee is required to give notice of such mandatory tender for purchase to the Bondholders (or such shorter period as shall be acceptable to the Trustee). The provisions of the Resolution or any Supplemental Resolution or Series Certificate applicable to the redemption of 2022

Series BB Bonds at the option of the Authority shall also apply to a mandatory tender for purchase of such 2022 Series BB Bonds in lieu of optional redemption at the Authority's election.

Book-Entry Only System

The information in APPENDIX VI - BOOK-ENTRY ONLY SYSTEM 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.

Neither the DTC Participants nor the Beneficial Owners (as such terms are defined in APPENDIX VI – BOOK-ENTRY ONLY SYSTEM) should rely on such information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

THE AUTHORITY, THE TRUSTEE, AND THE PAYING AGENT 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 2022 SERIES BB BONDS, (I) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2022 SERIES BB BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN 2022 SERIES BB BONDS OR (III) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE HOLDER OF THE 2022 SERIES BB BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN APPENDIX VI TO THIS OFFICIAL STATEMENT. NEITHER THE AUTHORITY, THE TRUSTEE NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE 2022 SERIES BB BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE BOND REGISTER OF THE AUTHORITY KEPT BY THE TRUSTEE AS BEING A 2022 SERIES BB BONDHOLDER.

NEITHER THE AUTHORITY, THE TRUSTEE NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2022 SERIES BB BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2022 SERIES BB BONDS; (IV) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2022 SERIES BB BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2022 SERIES BB BONDS; OR (VI) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF ALL OF THE 2022 SERIES BB BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS, OR REGISTERED OWNERS OF THE 2022 SERIES BB BONDS (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "CONTINUING DISCLOSURE" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2022 SERIES BB BONDS.

In the event that the 2022 Series BB Bonds are no longer subject to the book-entry only system, the Authority shall immediately advise the Trustee in writing of the procedures for transfer of such 2022 Series BB Bonds from such book-entry only form to a fully registered form. Thereafter, bond certificates will be printed and delivered as described in the Resolution and Beneficial Owners will become the registered owners of the 2022 Series BB Bonds.

SOURCES OF PAYMENT AND SECURITY FOR THE 2022 SERIES BB BONDS

Property Pledged to the 2022 Series BB Bonds; the State Contract; the Act; the Resolution

The 2022 Series BB Bonds are payable and secured under the Resolution on parity with the Prior Program Bonds and all other Bonds to be issued from time to time thereunder. All Bonds issued under the Resolution are special obligations of the Authority payable solely from the property pledged to their payment as hereinafter described. Pursuant to the Resolution, all of such property is pledged and assigned as security for the payment of the principal of and interest on the Bonds as well as (i) the Authority's reimbursement obligations or scheduled swap payments with respect to any Financing Facility (which include Swap Agreements and reimbursement agreements for credit facilities) which it may obtain in connection with the issuance of any Series of Bonds and (ii) any Subordinated Debt which may be issued under the Resolution. Currently, there is no Subordinated Debt or Financing Facilities 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 2012 TRANSPORTATION PROGRAM BOND 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 of Bonds 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 entered into the State Contract. The State Contract implements the financing and funding arrangements contemplated by the Act with respect to the Authority’s Transportation Program Bonds. See “APPENDIX III — COPY OF THE STATE CONTRACT” herein.

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 2022 Series BB Bonds or otherwise due under the State Contract. Thus, although the Resolution provides for the remedy of specific performance to require the Authority to perform its covenants in the Resolution (including its covenants to enforce the terms of the State Contract), there are no remedies available to the Bondholders in the event that the State Legislature does not appropriate sufficient funds to make payments when due under the State Contract.

Event of Non-Appropriation

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

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

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

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

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

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

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

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

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

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

Statutory Dedication of Certain State Revenues

The Act, as amended by Section 5 of the 2016 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 as determined by the State Treasurer:

(a) an amount equivalent to all revenue derived from the collection 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"), as provided in Article VIII, Section II, Paragraph 4 of the New Jersey State Constitution, 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.), as provided in Article VIII, Section II, paragraph 4 of the State Constitution, 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, provided that such amount shall not be less than $200,000,000 for any Fiscal Year, as provided in Article VIII, Section II, paragraph 4 of the State Constitution.

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 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 2022 SERIES BB BONDS – Constitutional Dedication of Certain State Revenues" below and "APPENDIX III - COPY OF THE STATE CONTRACT" hereto.

Constitutional Dedication of Certain State Revenues

Assembly Concurrent Resolution No. 1 of 2015, which was passed by the State General Assembly and State Senate on January 11, 2016 and approved by the voters of the State in the November 2016 general election, amended Article VIII, Section II, Paragraph 4 of the New Jersey State Constitution to provide as follows:

There shall be credited to a special account in the General Fund the following:

A. for each State Fiscal Year commencing on and after July 1, 2007 through the State Fiscal Year commencing on July 1, 2015, 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, and for each State fiscal year thereafter, an amount equivalent to all revenue derived from the collection of the tax imposed on the sale of motor fuels pursuant to Chapter 39 of Title 54 of the Revised Statutes or any other subsequent law of similar effect;

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, for each State Fiscal Year from State Fiscal Year 2002 through State Fiscal Year 2016 an amount not less than $200,000,000 derived from those revenues, and for each State Fiscal Year thereafter, an amount equivalent to all revenue derived from the collection of the tax on the gross receipts of the sale of petroleum products imposed pursuant to P.L.1990, c.42 (C.54:15B-1 et seq.) as amended and supplemented, or any other subsequent law of similar effect; and

C. for the State Fiscal Year 2002 an amount not less than $80,000,000 from the State revenue collected from the State tax imposed under the "Sales and Use Tax Act," pursuant to L. 1966, c. 30 (C. 54:32B-1 et seq.), as amended and supplemented, or any other subsequent law of similar effect, for the State Fiscal Year 2003 an amount not less than $140,000,000 from those revenues, and for each State Fiscal Year thereafter an amount not less than $200,000,000 from those revenues; provided, however, the dedication and use of such revenues as provided in this paragraph shall be subject and subordinate to (i) all appropriations of revenues from such taxes made by laws enacted on or before December 7, 2006 in accordance with Article VIII, Section II, paragraph 3 of the State Constitution in order to provide the ways and means to pay the principal and interest on bonds of the State presently outstanding or authorized to be issued under such laws or (ii) any other use of those revenues enacted into law on or before December 7, 2006.

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

The above provision of the New Jersey State Constitution does not require that the constitutionally dedicated amounts be appropriated to the Authority and any such amounts not appropriated to the Authority can be used by the State to pay the costs of various transportation system related projects in the State, including the payment of debt service on any indebtedness issued to finance the costs of such projects. 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.

For information about the amount of revenues derived from these constitutionally dedicated sources, see APPENDIX I - "FINANCIAL RESULTS AND ESTIMATES - Revenues."

State Appropriations and Legislation

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, as amended and restated by the "Fourth Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act," dated as of October 3, 2018) with respect to Transportation System Bonds, by and among the Authority, the State Treasurer and the Commissioner.

For Fiscal Year 2022 which began on July 1, 2021, the State Legislature appropriated $406,192,000 to the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds and $1,134,607,000 to the Transportation Trust Fund Account – Subaccount for Debt Service for Prior Bonds. The combined amount is expected to be sufficient to pay the debt service on all of the outstanding indebtedness under the Program Bond Resolution and under the Prior Bond Resolution 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 is subsequently amended, 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 2022 Series BB Bonds. In addition, any appropriation is subject to the availability of funds. See APPENDIX I – "STATE FINANCES – Budget and Appropriation Process."

As noted in Footnote 1 to the table under the heading "DEBT SERVICE SCHEDULE – PRIOR BONDS" herein, the debt service payable on the New Jersey Economic Development Authority's Transportation Project Sublease Revenue and Revenue Refunding Bonds (New Jersey Transit Corporation Projects) 2017 Series and the New Jersey Economic Development Authority's NJ Transit Transportation Project Bonds, 2020 Series A is also payable from funds appropriated to the Authority and the Transportation Trust Fund Account -- Subaccount for Capital Reserves.

Statutes concerning taxes, including the sales and use tax, motor fuels taxes and petroleum products gross receipts taxes, which are appropriated to pay principal of and interest on the Authority's Bonds are subject to amendment or repeal by the State Legislature at any time. In addition, Section 14(h) of L. 2016, c. 57 ("Chapter 57") provides that a portion of the petroleum products gross receipts tax imposed pursuant to L. 1990, c. 42 (C. 54:15B-1 et seq.) (the "Petroleum Products Gross Receipts Tax") may not be imposed following a certification by a review council (which review council has not yet been convened), consisting of the State Treasurer, the Legislative Budget and Finance Officer, and a third public member, that the scheduled implementation of Chapter 57 has been impeded, which certification shall be made within five days of any Legislative action that halts, delays or reverses the implementation of those sections contained in Chapter 57 on the date of enactment of Chapter 57.

Pursuant to N.J.S.A. 54:15B-3(a)(2)(a), the Petroleum Products Gross Receipts Tax is imposed on the gross receipts from the first sale of gasoline, blended fuel that contains gasoline or is intended for use as gasoline, liquefied petroleum gas and aviation fuel at a rate of 4.0 cents per gallon, which rate is fixed and is not subject to adjustment (the "Gasoline PPGR Tax"). Pursuant to N.J.S.A. 54:15B-3(a)(2)(b), the Petroleum Products Gross Receipts Tax is imposed on the gross receipts from the first sale of diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene, at a rate of 4.0 cents per gallon, before July 1, 2017 (the "Original Diesel Fuel PPGR Tax," and together with the Gasoline PPGR Tax, the "Original PPGR Tax") and at rate of 8.0 cents per gallon on and after July 1, 2017 (the "Diesel Fuel PPGR Tax"), which rate is fixed and is not subject to adjustment.

Chapter 57, which was adopted in October 2016 and amended N.J.S.A. 54:15B-1 et seq., imposed a new separate tax on "highway fuel" (the "Highway Fuels PPGR Tax"), which became a component of the Petroleum Products Gross Receipts Tax, of 22.6 cents per gallon on gasoline and 22.7 cents per gallon on diesel fuel. For purposes of Chapter 57, "highway fuel" is defined to mean gasoline, blended fuel that contains gasoline or is intended for use as gasoline, liquefied petroleum gas, diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene. Chapter 57 also provides that, for Fiscal Year 2018 and each Fiscal Year thereafter through and including Fiscal Year 2026, the rate at which the Highway Fuels PPGR Tax is imposed is required to be adjusted annually so that total revenue derived by the State from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax in each such Fiscal Year will not exceed a capped amount, as adjusted, determined in accordance with the provisions of Chapter 57 (the "Cap Amount"). In order to implement such annual adjustment of the Highway Fuels PPGR Tax rate, on or before August 15 of each Fiscal Year following Fiscal Year 2017, the State Treasurer and the Legislative Budget and Finance Officer are required to determine the total revenue derived by the State from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax collected in the prior Fiscal Year (the "Prior Year Total Revenues"). On the basis of such Prior Year Total Revenues, and in consultation with the Legislative Budget and Finance Officer, the State Treasurer then determines the Highway Fuels PPGR Tax rate to be imposed in the current Fiscal Year which is expected to result in the total revenue derived by the State from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax collected in such current Fiscal Year being equal to the Cap Amount. Pursuant to Chapter 57, the Highway Fuels PPGR Tax rate so determined by the State Treasurer, in consultation with the Legislative Budget and Finance Officer, becomes effective on October 1 of the then current Fiscal Year, without the need for any further legislative action. Additionally, if the amount of the Prior Year Total Revenues for any prior Fiscal Year exceeds the Cap Amount for such prior Fiscal Year, the Cap Amount for the succeeding Fiscal Year shall be decreased by the amount of such excess for the purposes of establishing the Highway Fuels PPGR Tax rate for such succeeding Fiscal Year. If the amount of the Prior Year Total Revenues for any prior Fiscal Year is less than the Cap Amount for such prior Fiscal Year, the Cap Amount for the succeeding Fiscal Year shall be increased by the amount of such shortfall for the purposes of establishing the Highway Fuels PPGR Tax rate for such succeeding Fiscal Year.

In accordance with the provisions of Chapter 57 relating to the annual adjustment of the Highway Fuels PPGR Tax rate described above, on August 30, 2018, the State Treasurer announced that, as a result of a shortfall in revenues collected from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax in each of the two prior Fiscal Years, the Cap Amount for Fiscal Year 2019 would be $2,073,100,000 and that, in order to generate sufficient revenue to reach such Cap Amount assuming stable motor fuels consumption, the Highway Fuels PPGR Tax rate for Fiscal Year 2019, which became effective on October 1, 2018, would be 26.9 cents per gallon, an increase of 4.3 cents per gallon over the then current Fiscal Year 2019 rate.

On August 29, 2019, the State Treasurer announced that there would be no increase in the Highway Fuels Tax rate for Fiscal Year 2020.

On August 28, 2020, the State Treasurer announced that, as a result of a projected shortfall in revenues collected from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax in Fiscal Year 2020, the Cap Amount for Fiscal Year 2021 would be $2,102,000,000 and that, in order to generate sufficient revenue to reach such Cap Amount assuming stable motor fuels consumption, the Highway Fuels PPGR Tax rate for Fiscal Year 2021, which became effective on October 1, 2020, would be 36.2 cents per gallon, an increase of 9.3 cents per gallon over the then current Fiscal Year 2020 rate.

On August 24, 2021, the State Treasurer announced that, as a result of a projected surplus in revenues collected from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax in Fiscal Year 2021, the Cap Amount for Fiscal Year 2022 would be $1,897,000,000 and that the Highway Fuels PPGR Tax rate for Fiscal Year 2022, which became effective on October 1, 2021, would be 27.9 cents per gallon, a decrease of 8.3 cents per gallon from the then current Fiscal Year 2021 rate.

The following chart is a summary of the cents per gallon tax rate for the Motor Fuels Tax, the Gasoline PPGR Tax, the Diesel Fuel PPGR Tax and the Highway Fuels PPGR Tax as of October 1, 2021:

Highway Fuel Tax Rates
(cents per gallon)
As of October 1, 2021

Tax Rate		Gasoline	Diesel Fuel
Motor Fuels Tax		$0.105	$0.135
Petroleum Products Gross Receipts Tax (imposed pursuant to N.J.S.A. 54:15B-3(a)(2)(a) & (b))		0.040	0.080
Highway Fuels PPGR Tax		0.279	0.279
	TOTAL:	$0.424	$0.494

State General Taxing Power Not Pledged

Pursuant to the Act and the Resolution, the 2022 Series BB Bonds shall be special obligations of the Authority and shall not be in any way a debt or liability of the State or any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) and shall not create or constitute any indebtedness, liability or obligation of the State or of any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) or be or constitute a pledge of the faith and credit of the State or of any political subdivision thereof. The Authority has no taxing power. All bonds, notes or other obligations of the Authority issued under the Resolution, unless funded or refunded by bonds, notes or other obligations of the Authority, shall be payable solely from the Pledged Property under the Resolution.

Flow of Funds

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

(1) On or before each Payment Date with respect to each Series of Bonds, for deposit in the Program Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the amount 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, including swap termination payments, if any.

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. The Act provides that no Refunding Bonds shall be issued unless the Authority shall first determine that the present value of the aggregate principal of and interest on the refunding bonds is less than the present value of the aggregate principal of and interest on the outstanding bonds to be refinanced, with present value to be computed using a discount rate equal to the yield of those Refunding Bonds, and yield shall be computed using an actuarial method based upon a 360-day year with semiannual compounding and upon the prices paid to the Authority by the initial purchasers of those Refunding Bonds. Any decision by the Authority to issue Refunding Bonds must be approved by the Joint Budget Oversight Committee (the "JBOC") of the State Legislature. See "STATUTORY DEBT ISSUANCE LIMITATIONS" herein and "APPENDIX II — COPY OF THE 2012 TRANSPORTATION PROGRAM BOND RESOLUTION."

Prior Bonds

As of January 1, 2022, the Authority had outstanding $8,620,990,716 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 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) 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 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 2016 Legislation, authorizes the issuance of new money Transportation Program Bonds during the period that commenced on the day that Assembly Concurrent Resolution No. 1 of 2015, a constitutional amendment to Article VIII, Section II, paragraph 4 of the New Jersey Constitution, took effect (December 8, 2016) and ending June 30, 2024 in an amount not in excess of $12,000,000,000. Any premiums received in connection with the issuance of Transportation Program Bonds during such period (whether for new money purposes or for refunding purposes) shall count against any limitation as to the amount of new money Transportation Program Bonds the Authority may issue during such period. Upon the issuance of the 2022 Series BB Bonds and the expected issuance of the 2022 Series AA Bonds on April 27, 2022, $_____________ of that $12,000,000,000 authorization will have been utilized by the Authority.

Transportation Program Bonds – Refunding Bonds

The issuance by the Authority of bonds, notes or other obligations, including subordinated obligations, for refunding purposes is not subject to the limitations described in the preceding paragraph, except that, any premiums received in connection with the issuance of Transportation Program Bonds issued for refunding purposes shall count against the limitations described in the preceding paragraph with respect to the issuance of Transportation Program Bonds for new money purposes.

The Act provides that no refunding bonds shall be issued unless the Authority shall first determine that the present value of the aggregate principal amount of and interest on the refunding bonds is less than the present value of the aggregate principal amount of and interest on the Outstanding Bonds to be refinanced, with present value computed using a discount rate equal to the yield of those refunding bonds, and yield computed using an actuarial method based upon a 360-day year with semiannual compounding and upon the prices paid to the Authority by the initial purchasers of those refunding bonds. The Act further provides that upon the decision by the Authority to issue refunding bonds, and prior to the sale of those refunding bonds, the Authority shall transmit to JBOC a report that a decision has been made, reciting the basis on which the decision was made, including an estimate of the debt service savings to be achieved and the calculations upon which the Authority relied when making the decision to issue refunding bonds. The report shall also disclose the intent of the Authority to issue and sell the refunding bonds at public or private sale and the reasons therefor.

Prior Bonds – New Money 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.

Prior Bonds – Refunding Bonds

The Act provides that no refunding bonds shall be issued unless the Authority shall first determine that the present value of the aggregate principal 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.

PLAN OF FINANCE

Pursuant to the Act and the Resolution, the Authority is issuing the 2022 Series BB Bonds for the purposes of: (a) paying State Transportation System Costs, and (b) paying certain costs of issuance of the 2022 Series BB Bonds. A portion of the proceeds of the 2022 Series BB Bonds will be deposited into the Proceeds Account of the Transportation Program Improvement Fund established under the Resolution and applied to the payment of State Transportation System Costs. See "THE TRANSPORTATION SYSTEM IMPROVEMENTS" herein for a description of Transportation System Improvements.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the 2022 Series BB Bonds are expected to be as set forth below:

SOURCES OF FUNDS	
Par Amount of 2022 Series BB Bonds	$
Plus Original Issue Premium	
Less Original Issue Discount	( )
Total Sources of Funds	$
USES OF FUNDS	
Deposit to Proceeds Account of the Transportation Program Improvement Fund	$
Costs of Issuance[1]	
Underwriters' Discount	
Total Uses of Funds	$

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[1] Includes bond ratings, printing, legal and Trustee fees and other expenses relating to the issuance and sale of the 2022 Series BB Bonds.

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DEBT SERVICE SCHEDULE – TRANSPORTATION PROGRAM OBLIGATIONS

The following table sets forth the debt service requirements in each Fiscal Year for the Bonds issued and Outstanding under the Resolution, including the 2022 Series BB Bonds. The debt service requirements shown in the table below do not include the debt service requirements on the 2022 Series AA Bonds expected to be issued by the Authority on April 27, 2022 or the savings in the Outstanding Bonds Debt Service resulting from the refunding of the Outstanding Bonds to be refunded by the issuance of the 2022 Series AA Bonds.

Fiscal Year	Outstanding Bonds Debt Service	2022 Series BB Bonds Debt Service	Aggregate Debt Service
2022	$ 374,199,075	$	$
2023	374,196,600		
2024	374,118,350		
2025	374,244,000		
2026	365,325,250		
2027	342,690,575		
2028	342,689,363		
2029	400,906,300		
2030	421,567,675		
2031	421,575,194		
2032	421,576,094		
2033	421,571,031		
2034	421,564,531		
2035	474,687,894		
2036	474,682,631		
2037	474,680,169		
2038	434,846,394		
2039	410,226,019		
2040	428,807,975		
2041	428,808,363		
2042	525,504,613		
2043	525,506,050		
2044	429,210,150		
2045	283,486,100		
2046	283,483,175		
2047	259,748,750		
2048	259,752,875		
2049	259,757,075		
2050	214,279,700		
Totals†	**$11,223,691,969**	**$**	**$**

† Totals may not add due to rounding.

DEBT SERVICE SCHEDULE – PRIOR BONDS

The following table sets forth the debt service requirements for the Outstanding Prior Bonds under the Prior Bond Resolution and certain related obligations in each Fiscal Year. The Total Gross Debt Service requirements shown in the table below do not include the debt service requirements on the 2022 Series A Bonds expected to be issued by the Authority on April 27, 2022 or the savings in the Total Gross Debt Service resulting from the refunding of the Outstanding Prior Bonds to be refunded by the issuance of the 2022 Series A Bonds.

Fiscal Year	Total Gross Debt Service*†
2022	$ 1,138,450,092
2023	1,138,443,153
2024	1,086,929,955
2025	1,063,613,793
2026	1,066,100,971
2027	1,068,326,550
2028	1,069,954,662
2029	1,004,857,925
2030	851,151,736
2031	850,826,936
2032	850,496,373
2033	827,918,498
2034	852,997,373
2035	853,006,598
2036	884,504,700
2037	852,258,504
2038	870,268,446
2039	954,588,588
2040	1,036,825,025
2041	917,231,522
2042	202,709,664
2043	44,029,225
2044	44,029,900
2045	44,026,025
Total††	**$19,573,546,215**

* Includes debt service on bonds issued by the Authority and on the New Jersey Economic Development Authority's Transportation Project Sublease Revenue and Revenue Refunding Bonds (New Jersey Transit Corporation Projects), 2017 Series, and the New Jersey Economic Development Authority's NJ Transit Transportation Project Bonds, 2020 Series A, which debt service is payable from funds appropriated to the Authority and the Transportation Trust Fund Account – Subaccount for Capital Reserves.

† Totals are not adjusted for federal cash subsidy for Build America Bonds.

†† Total may not add due to rounding.

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. The Act directs the Authority, within fifteen (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:

Diane Gutierrez-Scaccetti: *ex-officio*, Chairperson; Commissioner of the New Jersey Department of Transportation.

Elizabeth Maher Muoio: *ex-officio*; Treasurer of the State of New Jersey.

Greg Lalevee: Vice Chairperson; Statutory Representative of Interest of Trade Unions; Public Member.

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

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

John J. Duthie: Treasurer/Administrator at the Eastern Region of the Laborers Union of North America; Public Member.

Khalid Anjum: Chief Innovation Officer of Middlesex County, New Jersey; Public Member.

The officers of the Authority are:

Lewis Daidone: Executive Director; Assistant Commissioner - Finance and Administration, Chief Financial Officer, New Jersey Department of Transportation.

Michael B. Kanef: Treasurer; Assistant State Treasurer, New Jersey Department of the Treasury.

David Moore: Assistant Treasurer; Deputy Director, Office of Public Finance, New Jersey Department of the Treasury.

Samuel Braun: Comptroller; Division of Budget, New Jersey Department of Transportation.

Naileen Rodriguez: Secretary; Division of Budget, New Jersey Department of Transportation.

Kimberly Minter: Assistant Secretary; Division of Budget, 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 (15) 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 (15) 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 "SOURCES OF PAYMENT AND SECURITY FOR THE 2022 SERIES BB BONDS — Property Pledged to the 2022 Series BB Bonds; the State Contract; the Act; the Resolution" herein, the Authority has (among others) the following powers:

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

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

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

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

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

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

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

THE TRANSPORTATION SYSTEM IMPROVEMENTS

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

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

Improvements undertaken by the Department are to be funded primarily by a combination of Federal moneys, 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

New Jersey's transportation system consists of 2,333 center line miles of state highways maintained by the Department and approximately 38,919 center line miles maintained by independent state toll road authorities, county governments, and municipal governments. Approximately 6,768 bridges are located throughout the State, of which 2,391 are owned by the Department, 104 are maintained by NJ Transit, 1,325 are owned by independent state toll road authorities, 2,704 are owned 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 2,289 buses, 1,289 locomotives and rail cars, and 21 light rail cars. NJ Transit also provides more than 798 buses for routes operated by other carriers. Riders took over 205 million unlinked trips in State Fiscal Year 2020 on 253 bus routes, 12 heavy rail lines, and three light rail lines.

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 the 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 needs. 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 the State.

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 several 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 of Staff is responsible for legislative relations, communications, and customer advocacy, as well as human resource management, employee safety, training and development, civil rights and affirmative action programs.

The Assistant Commissioner for Finance and Administration also serves as the Department's Chief Financial Officer. The Assistant Commissioner's areas of responsibility include budget, accounting and external auditing, information systems, procurement, and capital investments and program coordination. The 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. He also assesses opportunities to improve transportation facilities and services that factor into the development of a Statewide Transportation Capital Investment Strategy, the Annual Capital Program and the Statewide Transportation Improvement Program. In addition, as the Chief Financial Officer, he also acts as Executive Director of the Authority.

The Assistant Commissioner for Planning, Multimodal and Grant Administration is responsible for planning services across 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, operates a research and technology effort that investigates and demonstrates new transportation technologies, and develops an asset management program to optimize investment in the State's existing transportation infrastructure.

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 statewide compliance with National Bridge Inspection Standards.

The Assistant Commissioner for Transportation Operations Systems and Support is responsible for maintenance and operation of the State highway system, including snow and ice removal, emergency patrols, intelligent transportation systems and the equipment fleet and regional maintenance yards. The Assistant Commissioner coordinates the traffic operations centers and incident management services provided by the Department and the State's independent toll road authorities. The Assistant Commissioner is also responsible for the Department's physical plant facilities.

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.

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.

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 2022 Series BB Bonds, or the contemplated uses of the proceeds of the 2022 Series BB Bonds, or in any way contesting or affecting the validity of the 2022 Series BB Bonds, the State Contract, the Act or any proceedings of the Authority or the State taken with respect to the issuance, sale, execution or delivery thereof, or the pledge or application of any moneys or security provided for the payment of the 2022 Series BB Bonds or the existence or powers of the Authority or the State Contract or the title of any officers or members of the Authority to their respective positions.

CERTAIN LEGAL MATTERS

Legal matters related to the authorization, execution, issuance and delivery of the 2022 Series BB Bonds are subject to the approval of Chiesa Shahinian & Giantomasi PC, West Orange, New Jersey, Bond Counsel to the Authority ("Bond Counsel"). The opinion of Bond Counsel will be delivered with the 2022 Series BB Bonds substantially in the form included in this Official Statement as APPENDIX V. Certain legal matters in connection with the 2022 Series BB Bonds will be passed upon for the Authority by the Attorney General of the State, and for the Underwriters by their counsel, Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey.

TAX MATTERS

Federal Tax Exemption

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met on a continuing basis subsequent to the issuance and delivery of the 2022 Series BB Bonds in order that interest on the 2022 Series BB Bonds be and remain excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In its Tax Regulatory Agreement (the "Tax Certificate") to be executed by the Authority in connection with the issuance of the 2022 Series BB Bonds (but which will not constitute a covenant under the Resolution), the Authority will represent 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 will 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 2022 Series BB Bonds will, for purposes of federal income taxation, be and remain excluded from the gross income of the recipients thereof. Failure of the Authority to comply with the requirements of the Code may cause interest on the 2022 Series BB Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the 2022 Series BB Bonds. Bond Counsel 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 2022 Series BB Bonds from gross income for federal income tax purposes. Based upon the foregoing, Bond Counsel is of the opinion that, pursuant to the applicable provisions of the Code and related regulations, rulings and judicial decisions, interest on the 2022 Series BB Bonds is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code and is not treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code.

[Bond Counsel is also of the opinion that the difference between the principal amount of the 2022 Series BB Bonds maturing on June 15 in the years 20__ and 20__ (the "Discount Bonds") and their respective 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 prices a substantial amount of such Discount Bonds of the same maturity was sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond, and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.]

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

New Jersey Gross Income Tax

In the opinion of Bond Counsel, interest on the 2022 Series BB Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended.

Certain Federal Tax Consequences Relating to the 2022 Series BB Bonds

Although interest on the 2022 Series BB Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the 2022 Series BB Bonds 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. Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the 2022 Series BB Bonds from gross income pursuant to Section 103 of the Code and the treatment of interest for purposes of the alternative minimum tax. Prospective purchasers of the 2022 Series BB Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the 2022 Series BB Bonds.

The Internal Revenue Service has an ongoing program of auditing state and local government obligations, which may include selecting bond issues at random for audit, to determine whether interest paid to the holders thereof is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the 2022 Series BB Bonds will be audited. If an audit is commenced, under current Internal Revenue Service procedures the holders of the 2022 Series BB Bonds may not be permitted to participate in the audit process, and the value and liquidity of the 2022 Series BB Bonds 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 2022 Series BB Bonds 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 2022 Series BB Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions could adversely affect the market price or marketability of the 2022 Series BB Bonds.

Bond Counsel is rendering its opinion under existing law as of the issue date of the 2022 Series BB Bonds 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 2022 SERIES BB BONDS SHOULD CONSULT SUCH PURCHASER'S 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 2022 SERIES BB BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF PURCHASING THE 2022 SERIES BB BONDS.

See APPENDIX V to this Official Statement for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the 2022 Series BB Bonds.

CONTINUING DISCLOSURE

Upon the issuance and delivery of the 2022 Series BB Bonds, the Authority and the State Treasurer will enter into an agreement (the "Continuing Disclosure Agreement") with the Trustee, as dissemination agent, for the benefit of the holders of the 2022 Series BB Bonds, to comply with the secondary market disclosure requirements of the United States Securities and Exchange Commission's Rule 15c2-12. Pursuant to the Continuing Disclosure Agreement, the State Treasurer will covenant to provide certain financial information and operating data relating to the State, to the Municipal Securities Rulemaking Board ("MSRB"). Further, the Authority will covenant to provide notices of the occurrence of certain enumerated events. The Trustee shall file such information on behalf of the State 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 specific nature of the information to be contained in the Treasurer's Annual Report (as such term is defined in the Continuing Disclosure Agreement) or the notices of enumerated events is described in the form of the Continuing Disclosure Agreement set forth in APPENDIX IV hereto.

For the Fiscal Year ended June 30, 2018, the Treasurer's Annual Report was due to the MSRB no later than March 15, 2019 in connection with its general obligation bonds and no later than April 1, 2019 in connection with its subject-to-appropriation bonds. On March 15, 2019, the Treasurer's Annual Report was filed without including the State's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2018 ("ACFR"). On March 29, 2019, the State posted a notice on the MSRB's Electronic Municipal Market Access service ("EMMA") that the ACFR would not be filed by April 1, 2019, but would be filed as soon it was available. The ACFR was subsequently filed on EMMA on May 1, 2019.

In addition, the continuing disclosure agreement relating to the Authority's outstanding Transportation System Bonds, 2004 Series A provides that the Authority will provide the 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 April 1 next following the end of each Fiscal Year. The Authority's Annual Report for its Fiscal Year ending June 30, 2018, was filed on April 16, 2019 and failure to file notices were not posted in connection with the late filings, but a failure to file notice was subsequently filed on September 12, 2019. The continuing disclosure agreements for all subsequent issues of the Authority's Transportation System Bonds and Transportation Program Bonds do not require, and the Continuing Disclosure Agreement for the 2022 Series BB Bonds will not require, that the Authority provide the Authority's Annual Report.

In January 2019, the State Treasurer became aware that the Treasurer's Annual Reports and the State's ACFR for Fiscal Year 2014 were filed after the date specified in the continuing disclosure agreement for the New Jersey Economic Development Authority's 1996 Liberty State Park Lease Rental Refunding Bonds. Such bonds were redeemed in full in December 2015, and are no longer outstanding.

The State Treasurer and the Authority have become aware of certain facts that they do not consider to be material but that are disclosed below for the benefit of the holders and Beneficial Owners of its Bonds.

Some information that was made available in a timely manner on EMMA may not have been linked to all relevant CUSIP numbers. In addition, filings with respect to certain bond insurer ratings changes were either posted late or the filings were not posted at all. The State Treasurer and the Authority are not always made aware of or may not have received notices from the rating agencies or the bond insurers of changes in the bond insurers' ratings. Such bond insurer ratings changes may or may not have had an effect on the ratings of the Bonds.

UNDERWRITING

The 2022 Series BB Bonds are being purchased by J.P. Morgan Securities LLC as representative (the "Representative") of the underwriters listed on the cover page hereof (the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase all of the 2022 Series BB Bonds at an aggregate purchase price of $______________ (representing the aggregate principal amount of the 2022 Series BB Bonds, plus original issue premium of $____________, [less original issue discount of $_________,] less an Underwriters' discount of $__________) (the "Purchase Price"). The initial public offering prices of the 2022 Series BB Bonds set forth on the inside cover page of this Official Statement may be changed without notice by the Underwriters. The Underwriters may offer and sell the 2022 Series BB Bonds to certain dealers (including dealers depositing 2022 Series BB Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices or yields lower than the offering prices or yields set forth on the inside cover page hereof.

The following two sentences have been furnished by J.P. Morgan Securities LLC ("JPMS") for inclusion in this Official Statement. JPMS, an underwriter of the 2022 Series BB Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement" and together, the "Dealer Agreements") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2022 Series BB Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2022 Series BB Bonds that such firm sells.

The Authority has not been furnished with any documents relating to the Dealer Agreements and makes no representations of any kind with respect thereto. The Authority is not a party to the Dealer Agreements and has not entered into any agreement or arrangement with CS&Co or LPL with respect to the offering and sale of the 2022 Series BB Bonds.

The following three sentences have been furnished by BofA Securities, Inc. ("BofA Securities") for inclusion in this Official Statement. BofA Securities, an underwriter of the 2022 Series BB Bonds, has entered into a distribution agreement ("MLPF&S Distribution Agreement") with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities may compensate MLPF&S as a dealer for their selling efforts with respect to the 2022 Series BB Bonds.

The Authority has not been furnished with any documents relating to the MLPF&S Distribution Agreement and makes no representations of any kind with respect thereto. The Authority is not a party to the MLPF&S Distribution Agreement and has not entered into any agreement or arrangement with MLPF&S with respect to the offering and sale of the 2022 Series BB Bonds.

The following two paragraphs have been furnished by Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), an underwriter of the 2022 Series BB Bonds, for inclusion in this Official Statement.

Wells Fargo Corporate & Investment Banking is the trade name used for the corporate banking, capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including WFBNA, a member of the National Futures Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of WFBNA, registered with the United States Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the 2022 Series BB Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the 2022 Series BB Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2022 Series BB Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Authority has not been furnished with any documents relating to the WFA Distribution Agreement or the WFSLLC Distribution Agreement and makes no representations of any kind with respect thereto. The Authority is not a party to the WFA Distribution Agreement or the WFSLLC Distribution Agreement and has not entered into any agreement or arrangement with WFA or WFSLLC with respect to the offering and sale of the 2022 Series BB Bonds.

RATINGS

Fitch Ratings ("Fitch"), Kroll Bond Rating Agency ("KBRA"), Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") have assigned municipal bond ratings of "BBB+," "A-," "Baa1" and "BBB" respectively, to the 2022 Series BB Bonds.

Such ratings reflect only the views of each organization, and an explanation of the significance of such ratings can only be obtained from Fitch, KBRA, Moody's and S&P. 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, KBRA, 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 2022 Series BB Bonds.

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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 2022 Series BB Bonds and may not be reproduced or used as a whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the Authority and duly executed and delivered on its behalf by the official signing below.

Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. The agreements of the Authority are fully set forth in the Resolution in accordance with the Act and this Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any 2022 Series BB Bonds.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

By: ____________________________
Lewis Daidone
Executive Director

Dated: January __, 2022

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APPENDIX I

FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

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APPENDIX I

DATED: January 12, 2022

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.

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 contains 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 Annual Comprehensive Financial Report for the twelve months ending June 30, 2020, including Management's Discussion and Analysis (the "2020 ACFR"), 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 2020 ACFR on the following website at *www.nj.gov/treasury/omb*. No statement on that website or any other website is incorporated by 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.

APPENDIX I
FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

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OVERVIEW OF THE STATE'S FINANCIAL CONDITION

Impact of the COVID-19 Pandemic on Revenues and the State's Fiscal Years 2020 and 2021 Budget

The State's finances have been substantially impacted by the COVID-19 Pandemic and the economic deteriorations and improvements that have ebbed and flowed during the course of the COVID-19 Pandemic. At the outset of the COVID-19 Pandemic, the State experienced a significant adverse impact on its economy and revenues. The State employed a combination of significant expenditure reductions and use of its undesignated fund balance to address those revenues shortfalls. In the Fiscal Year 2021 Appropriations Act, the State expected a significant reduction in its revenues as a result of the continuing COVID-19 Pandemic. To address expected revenue shortfalls, the State issued $3,672,360,000 of its New Jersey COVID-19 General Obligation Emergency Bonds, 2020 Series A (the "Emergency General Obligation Bonds") in November 2020. Before the State adopted the Fiscal Year 2022 Appropriations Act (the "Fiscal Year 2022 Appropriations Act"), it became clear that Fiscal Year 2021 revenues would significantly exceed the estimated revenues contained in the Fiscal Year 2021 Appropriations Act because the State's recurring revenues were higher than estimated. Based on these improved revenue levels, in June 2021 in connection with the enactment of the Fiscal Year 2022 Appropriations Act, the State:

- Enacted legislation to create, and appropriate, $3.7 billion to the New Jersey Debt Defeasance and Prevention Fund, from which the State will use $2.5 billion to defease outstanding debt and $1.2 billion to support capital projects and avoid new debt issues; and

- Will deposit the unexpected excess revenues from Fiscal Year 2021 into the Surplus Revenue Fund, which the State estimated to be $2.443 billion as of the Fiscal Year 2022 Appropriations Act.

As of June 30, 2021, even after appropriating the $3.7 billion to the New Jersey Debt Defeasance and Prevention Fund, the State's undesignated ending fund balance was projected to be approximately $4.210 billion and the State's estimated balance in the Surplus Revenue Fund was projected to be $2.443 billion, which was a combined estimated balance of $6.653 billion, representing a significant increase from such combined balance of $2.164 billion as of June 30, 2020. For additional information, see "LONG-TERM OBLIGATIONS — New Jersey Debt Defeasance and Prevention Fund."

Fiscal Year 2022 Appropriations Act

On June 29, 2021, the Governor signed the Fiscal Year 2022 Appropriations Act into law. Although revenue estimates for Fiscal Year 2021 had improved, it is not anticipated that Fiscal Year 2022 revenues would remain at the same level as Fiscal Year 2021. Therefore, the Fiscal Year 2022 Appropriations Act projects revenue levels that are below the State's Fiscal Year 2021 levels. The Fiscal Year 2022 Appropriations Act relies on the State's undesignated ending fund balance and the transfer of the Surplus Revenue Fund to undesignated fund balance in order to enact a balanced budget. The Fiscal Year 2022 Appropriations Act projects the State's total combined fund balance (including the undesignated ending fund balance and the Surplus Revenue Fund in Fiscal Year 2021) to decline from an estimated $6.653 billion as of June 30, 2021 to $2.356 billion as of June 30, 2022, or 5.1% of appropriations in the Fiscal Year 2022 Appropriations Act. Accordingly, the Fiscal Year 2022 Appropriations Act reflects a strong reliance on nonrecurring resources (primarily from spending down the State's fund balance, including the Surplus Revenue Fund) equal to approximately 11% of appropriations in Fiscal Year 2022 compared to 14.1% of appropriations in the Fiscal Year 2021 Appropriations Act.

In May 2021, the State received $6.2 billion in Federal aid from the State Fiscal Recovery Fund ("SFRF") authorized by the American Rescue Plan Act of 2021 ("ARP"). The Fiscal Year 2022 Appropriations Act included the use of approximately $2.4 billion from the SFRF for various programs in response to the State's recovery efforts, leaving $3.8 billion in uncommitted balances available for other purposes. The State may use the uncommitted balances from the SFRF, in addition to remaining balances from other Federal programs authorized under the various COVID-19 related aid packages, to offset eligible expenses already appropriated in the State's budget and offset COVID-19 Pandemic -related revenue losses wherever Federal guidelines permit. Any of these measures could be taken in order to provide fiscal relief to the State budget.

Current State revenue collections through the end of November 2021 indicate positive growth rates above Fiscal Year 2022 Appropriations Act forecasts. To the extent that these trends continue, the State's fiscal outlook will continue to improve. However, the COVID-19 Pandemic has not ended and, with emerging variants, the country has entered into a new phase of the COVID-19 Pandemic. There still remains substantial uncertainty regarding how the COVID-19 Pandemic may impact the State's economy and finances, and the State does not know how the COVID-19 Pandemic may shape its prospective revenues or for how long. For Fiscal Year 2022, the State has relied on nonrecurring resources from its undesignated fund balance, Surplus Revenue Fund and Federal aid to enact a balanced budget. But if the State's recurring revenues do not grow to the level of the State's recurring expenditures, the State may face challenging structural deficits in future Fiscal Years.

CERTAIN CONSTITUTIONAL PROVISIONS AND JUDICIAL DECISIONS

The New Jersey State Constitution (the "State Constitution") provides for a bicameral State Legislature which meets in biennial 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.

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) (the "Appropriations Clause"). In addition to line-item appropriations for the payment of debt service on bonds, notes or other obligations which are subject to appropriation, beginning in Fiscal Year 2005, the annual Appropriations Act contains a general language provision which appropriates such additional amounts necessary to pay such debt service obligations subject to the approval of the Budget Director (defined below). For bonds which must be paid for from constitutionally-dedicated sources, such supplemental appropriations would need to be from constitutionally-dedicated revenues. (For general information regarding the budget process, see "STATE FINANCES — Budget and Appropriation Process" herein; for the application of the budget process for Fiscal Year 2022, 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 requirement for voter approval 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 "Lance Amendment"). The Lance 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 Lance 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, or for any law authorizing the issuance of general obligation bonds to meet an emergency caused by a disaster.

Judicial Decisions

Pursuant to the Debt Limitation and the Appropriation Clauses described above, the State has issued various types of debt instruments. Under the Debt Limitation Clause, the State issues "General Obligation Bonds" pursuant to separate bond acts approved by the voters at a general election. The faith and credit of the State is pledged for the payment of such General Obligation Bonds. In addition, over the past fifty years, legislation has been enacted from time to time which provides for the issuance of obligations by various independent authorities, the debt service on which is paid by annual appropriations made by the State Legislature ("State Appropriation Obligations").

In December 2000, a challenge was brought seeking a declaration that legislative programs authorizing State Appropriation Obligations violated the Debt Limitation Clause. In 2002, the New Jersey Supreme Court's first ruling in this matter ("*Lonegan I*") was limited solely to the issuance of State Appropriation Obligations by the New Jersey Economic Development Authority ("NJEDA") authorized by the Educational Facilities Construction and Financing Act ("EFCFA"). The Court held that such bonds did not violate the Debt Limitation Clause because such debt was not legally enforceable against the State. The Court ordered additional briefing and argument on the other legislatively authorized State Appropriation Obligations. In 2003, the New Jersey Supreme Court's second ruling in the matter (*"Lonegan II"*), the Court rejected a broad challenge to the validity of fourteen New Jersey statutes authorizing the issuance of State Appropriation Obligations. The Court held that the Debt Limitation Clause does not apply to debt that is subject to future legislative appropriations because such debt is not legally enforceable against the State. Furthermore, the Court held that under New Jersey law, only debt that is legally enforceable against the State is subject to the Debt Limitation Clause and that in reliance upon such rule, the State Legislature responded to changes in the financial markets that reflect modern economic realities to provide for the issuance of debt where the payment is subject to annual legislative appropriation.

Following *Lonegan II,* the State Legislature enacted two laws - the Cigarette Tax Securitization Act of 2004, *L.* 2004, *c.* 68 and the Motor Vehicle Surcharges Securitization Act of 2004, *L.* 2004, *c.* 70 (collectively, the "Securitization Acts"). The Securitization Acts authorized the issuance of State Appropriation Obligations by the NJEDA and provided that the proceeds of these bonds would be deposited into the General Fund and included as revenues to support the Governor's certification of revenues for the annual appropriations act (the "Appropriations Act") as required by the Appropriations Clause. A lawsuit was filed asserting that the Fiscal Year 2005 Appropriations Act was unconstitutional under the Appropriations Clause because of the inclusion of the proceeds of bonds as revenue for the purposes of the Governor's certification of revenues. The plaintiffs further claimed that absent voter approval, these bonds would be unconstitutional under the Debt Limitation Clause. In July 2004, the Court issued its decision holding that the issuance of bonds under the Securitization Acts did not violate the Debt Limitation Clause but that the proceeds of bonds issued under such acts cannot be included as "revenue" for the purposes of the Appropriations Clause. However, the Court determined that this ruling would be given prospective application only and that the State and the NJEDA would be permitted to proceed with the sale of bonds authorized under the Securitization Acts because barring these bond sales would require significant revisions to, if not a complete overhaul of, that year's budget potentially resulting in great disruption to the State Government. *Lance v. McGreevy* ("*Lance v. McGreevey*").

A further challenge was launched in August 2005, seeking a declaration that the Fiscal Year 2006 Appropriations Act violated the State Constitution because it anticipated revenues in the amount of $150 million from the proceeds of Tobacco Settlement Asset-Backed Bonds (the "Tobacco Settlement Bonds") to be issued by the Tobacco Settlement Financing Corporation, a public body corporate and politic and an instrumentality of the State (the "Corporation"). On August 12, 2005, the trial court entered an order in favor of the plaintiffs (i) permanently enjoining the issuance of that portion of the Tobacco Settlement Bonds in excess of that necessary to effectuate the refunding of the Corporation's Series 2003 Bonds estimated to be $150 million, (ii) permanently enjoining the transfer of any portion of the proceeds of the Tobacco Settlement Bonds to the State, and (iii) ruling that the proceeds from the sale of the Tobacco Settlement Bonds would not be "revenue" for purposes of the Fiscal Year 2006 Appropriations Act. No appeal was taken and the bonds were not issued.

In July 2008, a complaint was filed in the Superior Court against the State claiming that *L.* 2008, *c.* 39 (the "EFCFA Amendment"), was unconstitutional under the Debt Limitation Clause. The EFCFA Amendment, among other things, authorized the issuance by the NJEDA of an additional $3.9 billion of State Appropriation Bonds. The Superior Court dismissed the complaint in its entirety, with prejudice in December 2008. In November 2009, the Appellate Division affirmed the Superior Court's dismissal of the complaint.

In November 2008, as discussed above, the voters approved the Lance Amendment. A suit was filed in December 2008 in the Superior Court, seeking a declaration that the Lance Amendment was unconstitutional. The Plaintiffs claimed that the ballot question and the interpretative statement were defective. In November 2009, the Court dismissed the Plaintiffs' complaint for failure to state a claim upon which relief can be granted.

In June 2015, the New Jersey Supreme Court issued a decision on the Debt Limitation and Appropriations Clauses in *Burgos v. State* which was a challenge to the State's failure to make the annual required pension contribution pursuant to *L.* 2011, *c.* 78 ("Chapter 78"). Chapter 78 provided for various reforms in the pension and health benefit systems and contained a provision providing a "contractual right" to the State making the annual required pension contribution. The State failed to do so and the Court ruled that "the State Legislature and the Governor were without authority to enact an enforceable and legally binding long-term financial agreement through" Chapter 78. Therefore, the Court found that the pension funding right in Chapter 78 is subject to appropriation. *Burgos v. State of New Jersey, et al*.

In 2018, the Appellate Division issued decisions in cases claiming that State Appropriation Obligations issued to finance projects utilizing a "lease-leaseback" structure through the NJEDA violated the Debt Limitation and Appropriation Clauses. In *Wisniewski v. Murphy*, the Appellate Division affirmed the trial court decision and dismissed a challenge to State Appropriation Obligations issued by NJEDA to finance renovations to the New Jersey State House and the refunding of certain outstanding indebtedness of the New Jersey Building Authority ("NJBA") relating to prior projects undertaken by the NJBA at the State House. The Appellate Division agreed with the State defendants' position that the matter was moot and dismissed the case on those grounds. However, due to the likelihood that this type of immediate sale of bonds evading the potential for review could occur in the future, the Appellate Division addressed the merits of plaintiff's claims. In that regard, the Appellate Division held that: (1) the Debt Limitation Clause was not violated as the debt was issued by the NJEDA, an independent State authority; (2) the bonds stated on their face that they were not a debt or liability of the State; and (3) the lease-leaseback structure which provides a stream of rental payments, subject to appropriation, to NJEDA to pay the principal and interest on the bonds, is not considered as the State's assumption of such bonded indebtedness.

Two other cases, *Gusciora v. Dept. of the Treasury* and *Wisniewski v. Christie* challenged the issuance of bonds by the NJEDA utilizing a lease-sublease structure to finance the construction of new State buildings for the New Jersey Department of Health, the New Jersey Division of Taxation, and the Juvenile Justice Commission. The Appellate Division denied declaratory and injunctive relief to the plaintiffs who, among several grounds, sought, on an emergency basis, to prohibit the sale the bonds as violating the Debt Limitation Clause. The trial court denied plaintiffs' motion for a stay, while also transferring the cases to the Appellate Division. The Appellate Division denied the *Gusciora* plaintiffs' request for emergent relief and summarily dismissed the *Gusciora* complaint on the merits, finding that there was no merit to the *Gusciora* plaintiffs' argument that the bond financing violated the Debt Limitation Clause as the bond resolution and the sublease between the NJEDA and the State Division of Property Management and Construction explicitly provided that the State's obligation to make rental payments was subject to appropriation by the State Legislature and that there was no violation of the Lance Amendment as no legislative enactments were involved. With respect to plaintiff Wisniewski, the Appellate Division found that Wisniewski's claim that the issuance of the bonds violated the Debt Limitation Clause did not have a likelihood of success on the merits, citing *Lonegan I* and the *Lance v. McGreevey* cases.

As part of the response to address the financial problems suffered by the State as a result of the consequences of the COVID-19 Pandemic, the Legislature enacted the New Jersey COVID-19 Emergency Bond Act (the

“Emergency Bond Act”). The constitutionality of the Emergency Bond Act was challenged in *New Jersey Republican State Committee v. Murphy*. In August 2020, the New Jersey Supreme Court held that the Emergency Bond Act was valid under the Appropriations Clause and the Debt Limitation Clause of the State Constitution, subject to certain limitations. The Court held that subparagraph 3(e) of the Debt Limitation Clause (the “Emergency Exception”) provides an exception from the voter approval requirement of subparagraph 3(a) of the Debt Limitation Clause for any debts or liabilities created to meet an emergency caused by a disaster. The Court found that the rare, once-in-a-century, infectious disease of the magnitude of the COVID-19 Pandemic was a “disaster” and the subsequent public health emergency, economic emergency impacting individuals and families, and State fiscal crisis all constituted an “emergency” within the confines of the Emergency Exception. The Court also held that the Appropriations Clause does not prohibit borrowing for appropriate purposes under the Emergency Exception, as a contrary reading would lead to a situation where the State could borrow funds to meeting an emergency caused by a disaster but not be able to spend them. Such a finding would be in contradiction to the Framers of the 1947 Constitutional Convention’s intent to impose fiscal discipline over the State’s fiscal practices and, at the same time, provide flexibility to respond to emergencies caused by a disaster. The Court finally noted that it was not overruling its decision in *Lance v. McGreevey,* which did not consider the Debt Limitation Clause, the Emergency Exception or their interplay with the Appropriations Clause.

STATE FINANCES

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.

Financial Statements

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 Annual Comprehensive Financial Report includes government-wide financial statements and fund financial statements. These statements present different views of the State’s financial information. The State’s Annual Comprehensive Financial Report for the twelve months ending June 30, 2020, and the notes referred to therein (the “2020 ACFR”) 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 2020 ACFR 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 2020 ACFR.

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

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 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. The Capital Projects Funds includes the Special Transportation Fund which is used to account for financial resources for State transportation projects. 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

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

Fiduciary Funds, which include the State's Pension Plans, 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

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.

Budget and Appropriation Process

New Jersey's budget process is comprehensive and inclusive, involving every department and agency in the Executive Branch, the State Legislature, the Judicial Branch, and through a series of public hearings, the citizens of the State. The State operates on a fiscal year beginning July 1 and ending June 30.

Due to the COVID-19 Pandemic the State extended Fiscal Year 2020 by three months to end on September 30, 2020, and delayed the beginning of Fiscal Year 2021 to October 1, 2020. The State resumed its normal fiscal year with Fiscal Year 2022, which began July 1, 2021 and will end on June 30, 2022.

Pursuant to the Appropriations Clause, 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 the Appropriations Act on an annual basis which provides the basic framework for the operation of governmental funds, including 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. The Appropriations Clause requires that at the time of enactment of the annual Appropriations Act, the Governor certify that there are sufficient resources available to support the line item appropriations in the Appropriations Act.

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, except if such date is changed as provided by law which generally occurs during the first year when a new governor is elected. 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, and the Casino Control, Casino Revenue, Gubernatorial Elections, and Property Tax Relief Funds. In addition to anticipated revenues, the Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds and other dedicated funds. These "non-budgeted" revenues are excluded from all tables except for the table entitled "EXPENDITURES."

Governor's Line-Item Veto Power

Upon enactment by the Legislature of the Appropriations Act, 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.

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. Transfers of appropriations between departments or between line items within a department are authorized pursuant to general provisions of the Appropriations Act.

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. Pursuant to various statutes, the Governor may order the Budget Director to set aside a reserve out of each appropriation, and if sufficient revenues are not available by the end of the fiscal year to fund such reserve, the amount reserved lapses back into the General Fund. In addition, the Governor is authorized to prohibit and enjoin and place conditions upon the expenditure of monies in the case of extravagance, waste or mismanagement.

Furthermore, 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 and all prior appropriations for such fiscal year.

State Budget Shutdown

If the Appropriations Act is not enacted prior to the first day of the next fiscal year, under the Appropriations Clause, no moneys can be withdrawn from the State treasury. Accordingly, all non-essential operations of State government must be shut down until such time as the Appropriations Act is passed and approved by the Governor. If a shutdown occurs in a future fiscal year, no moneys, other than general obligation bond debt service and available amounts already held under bond financing documents will be available to make payment on obligations paid from State revenue subject to annual appropriation. See generally "STATE FINANCES – Budget and Appropriation Process" and "LONG-TERM OBLIGATIONS – State Appropriation Obligations".

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 2020 ACFR, 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.

Balance Sheets

The comparative balance sheets for the General Fund, the Casino Control Fund, the Casino Revenue Fund, the Gubernatorial Elections Fund and the Property Tax Relief Fund as of June 30, 2020 and 2019 are set forth below:

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GENERAL FUND[1]
COMPARATIVE BALANCE SHEETS
(Audited)
(In Millions)

	As of June 30,	
	2020	**2019**
ASSETS		
Cash and cash equivalents	$ 457.5	$ 21.6
Investments	5,028.2	3,029.9
Receivables, net of allowances for uncollectibles		
Federal government	951.9	1,048.9
Departmental accounts	2,819.2	3,355.0
Loans	111.8	75.9
Other	245.8	315.1
Due from other funds	2,495.5	765.8
Other	32.9	4.2
Total Assets	$12,142.8	$8,616.4
LIABILITIES AND FUND BALANCES		
Accounts payable and accruals	$ 1,059.6	$1,676.5
Unearned revenue	1,984.0	154.0
Due to other funds	623.7	244.9
Refunds payable	197.0	141.4
Notes payable	1,500.0	-
Other	487.0	373.4
Total Liabilities	5,851.3	2,590.2
Deferred Inflows of Resources	314.3	349.2
Total Liabilities and Deferred Inflows of Resources	$ 6,165.6	$2,939.4
Fund Balances		
Restricted	852.7	1,084.2
Committed	2,963.3	2,884.5
Unassigned	2,161.2	1,708.3
Total Fund Balances	5,977.2	5,677.0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$12,142.8	$8,616.4

(1) The General Fund is used to account for all State revenues not otherwise restricted by statute. The largest part of the total financial operations of the State is accounted for in the General Fund. Most revenues received from taxes, federal sources, and certain miscellaneous revenue items are recorded in the General Fund. The Appropriations Act enacted by the State Legislature provides the basic framework for the operation of the General Fund.

See the 2020 ACFR 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.

Significant changes from June 30, 2019 to June 30, 2020 primarily result from the implementation of governmental accounting guidance related to the treatment of federal relief program funds and COVID-19 Pandemic impacts on the timing of cash payments.

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OTHER BUDGETED FUNDS
COMPARATIVE BALANCE SHEETS
AS OF JUNE 30
(Audited)
(In Millions)

	Casino Control Fund(1)		Casino Revenue Fund(2)		Gubernatorial Elections Fund(3)		Property Tax Relief Fund(4)	
	2020	2019	2020	2019	2020	2019	2020	2019
ASSETS								
Receivables, net of allowances for uncollectibles								
Department accounts	$3.3	$2.7	$20.1	$25.6	$0.2	$0.2	$3,416.0	$789.5
Due from other funds	1.3	3.3	0.1	1.0	0.9	0.6	17.9	13.9
Total Assets	$4.6	$6.0	$20.2	$26.6	$1.1	$0.8	$3,433.9	$803.4
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accruals	$4.6	$6.0	$3.4	$12.3	–	–	$83.1	$103.3
Due to other funds	–	–	4.4	2.5	–	–	2,757.7	397.3
Refunds payable	–	–	–	–	–	–	512.4	273.4
Total Liabilities	$4.6	$6.0	$7.8	$14.8	–	–	$3,353.2	$774.0
Fund Balances								
Restricted	–	–	–	–	–	–	80.7	29.4
Committed	–	–	12.4	11.8	1.1	0.8	–	–
Total Fund Balances	–	–	12.4	11.8	1.1	0.8	80.7	29.4
Total Liabilities and Fund Balances	$4.6	$6.0	$20.2	$26.6	$1.1	$0.8	$3,433.9	$803.4

(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.* 5:12-143, 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.* 5:12-145, 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:9-25.1, 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.

Changes in Fund Balances

The following table sets forth a Summary of Revenues, Appropriations and Undesignated Fund Balances for Fiscal Years 2018 through 2022, 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 2018 through 2020 are actual and final. Amounts shown for Fiscal Year 2021 in the following tables and charts are based upon revised estimates for revenues and includes supplemental appropriations as of June 30, 2021 (which are subject to adjustment pending completion of the annual audit). Amounts shown for Fiscal Year 2022 are estimates as contained in the Fiscal Year 2022 Appropriations Act. The ending undesignated fund balance for Fiscal Year 2022 may be revised as a result of changes in spending and/or anticipated revenues.

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 other dedicated funds to the extent such revenue is received and permits the corresponding increase of appropriation balances from which expenditures can be made. See "STATE FINANCES — Accounting System" above.

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

	2022 Estimated	2021 Estimated[2]	2020 Actual	2019 Actual	2018 Actual[3]
July 1st Beginning Balances					
General Fund	$ 1,744.5	$ 2,050.6	$ 1,287.8	$ 990.6	$ 715.2
Surplus Revenue Fund	2,443.6	6.7	420.6	–	–
Property Tax Relief Fund	2,464.6	1.8	3.0	–	2.7
Gubernatorial Elections Fund	–	1.1	0.8	–	–
Casino Control Fund	–	–	–	–	–
Casino Revenue Fund	–	–	–	–	–
Total Beginning Balances	6,652.7	2,060.2	1,712.2	990.6	717.9
Anticipated Revenue					
General Fund	24,061.7	29,714.6	20,625.6	21,252.3	19,713.1
Property Tax Relief Fund	17,797.5	18,425.7	17,074.5	16,747.8	15,806.8
Gubernatorial Elections Fund	0.7	0.7	0.3	0.8	0.4
Casino Control Fund	62.4	55.3	50.3	49.1	47.8
Casino Revenue Fund	356.8	340.6	262.5	266.2	217.7
Total Revenues	42,279.1	48,536.9	38,013.2	38,316.2	35,785.8
Total Resources	$48,931.8	$50,597.1	$39,725.4	$39,306.8	$36,503.7
Other Adjustments					
General Fund					
Balances lapsed[4]	–	1,278.1	831.3	418.3	464.9
From (To) Reserved Fund Balance	(191.5)	(12.1)	19.2	(66.7)	4.5
From (To) Surplus Revenue Fund	2,443.6	(2,436.9)	413.9	(420.6)	–
From (To) Property Tax Relief Fund	–	–	(180.9)	(23.4)	(34.3)
Budget vs GAAP Adjustment	–	–	–	–	–
From (To) Casino Revenue Fund	18.3	66.4	–	–	–
From (To) Gubernatorial Elections Fund	(20.8)	(7.8)	–	–	(13.2)
From (To) Casino Control Fund	–	–	–	–	–
Surplus Revenue Fund					
From (To) General Fund	(2,443.6)	2,436.9	(413.9)	420.6	–
Property Tax Relief Fund					
Balances lapsed[4]	–	92.0	40.8	59.7	29.1
From (To) General Fund	–	–	180.9	23.4	34.3
Gubernatorial Elections Fund					
From (To) General Fund	20.8	7.8	–	–	13.2
Balances lapsed[4]	–	–	–	–	6.1
Casino Control Fund					
From (To) General Fund	–	–	–	–	–
Balances lapsed[4]	–	5.6	5.6	1.9	2.1
From/(To) General Fund	–	–	–	–	–
Budget vs GAAP Adjustment	–	–	(0.2)	0.3	0.1
Casino Revenue Fund					
From (To) General Fund	(18.3)	(66.4)	–	–	–
From (To) Casino Control Fund	–	–	–	–	–
Balances lapsed[4]	–	1.8	0.3	6.2	1.5
Budget vs GAAP Adjustment	–	–	–	–	–
Total Other Adjustments	(191.5)	1,365.4	897.0	419.7	508.3
Total Available	$48,740.3	$51,962.5	$40,622.4	$39,726.5	$37,012.0
Appropriations					
General Fund	25,700.1	28,908.4	20,842.4	20,862.7	19,859.6
Property Tax Relief Fund	20,262.1	16,054.9	17,297.4	16,827.9	15,872.9
Gubernatorial Elections Fund	21.5	9.6	–	–	19.7
Casino Control Fund	62.4	60.9	55.7	51.3	50.0
Casino Revenue Fund	338.5	276.0	262.8	272.4	219.2
Total Appropriations	$46,384.6	$45,309.8	$38,458.3	$38,014.3	$36,021.4
June 30th Ending Balances					
General Fund	2,355.7	1,744.5	2,154.5	1,287.8	990.6
Surplus Revenue Fund	–	2,443.6	6.7	420.6	–
Property Tax Relief Fund	–	2,464.6	1.8	3.0	–
Gubernatorial Elections Fund	–	–	1.1	0.8	–
Casino Control Fund	–	–	–	–	–
Casino Revenue Fund	–	–	–	–	–
Total Ending Balances[5][6]	$ 2,355.7	$6,652.7	$ 2,164.1	$ 1,712.2	$ 990.6

(footnotes appear on next page)

(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) The General Fund opening undesignated fund balance for Fiscal Year 2021 was restated downward by $103.9 million due to a reduction of receivables previously overstated.

(3) The General Fund opening undesignated fund balance for Fiscal Year 2018 was restated downward by $68.6 million due to an increase in liabilities previously understated.

(4) 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.

(5) The ending undesignated fund balance for Fiscal Year 2021 and the opening undesignated fund balance for Fiscal Year 2022 are subject to adjustment pending completion of the Fiscal Year 2021 annual audit. The ending undesignated fund balance for Fiscal Year 2022 may be further revised as a result of changes in spending or anticipated revenues.

(6) Revenues for Fiscal Year 2021 reflect $4.288 billion in emergency general obligation borrowing. See "IMPACT OF COVID-19 on the State's Projected Revenues and Expenditures" above. Due to this, part of the growth in the ending undesignated fund balance for Fiscal Year 2021 can be attributed to this additional, non-recurring resource.

New Jersey Demographic Information

New Jersey is the most densely populated state in the nation, with an average density of 1,208 persons per square mile as of 2020. The State is a part of a megalopolis that extends from Washington D.C. in the south to Boston, Massachusetts in the north and includes over one-fifth of the nation's population. Thus, New Jersey is an attractive location for businesses due to its central location and ability to access both regional and world markets.

The following core industry clusters are the center of the State's diverse economy: technology, transportation and logistics, health care, financial services, biopharmaceuticals, and advanced manufacturing. There is also a strong commercial agriculture sector in the rural areas. The "Jersey Shore," along the Atlantic Seaboard, is the focus of the State's tourism sector and includes casino gambling in Atlantic City. The State attracted over 110.8 million visitors in 2018 and 116.2 million visitors in 2019, though this number dropped to 86.4 million in 2020 as travel and tourism were disrupted by COVID-19 Pandemic-related restrictions.

There were just under 8.9 million persons residing in New Jersey according to the latest population estimates from the U.S. Census Bureau as of July 1, 2020. New Jersey's population has grown an average of 0.09% per year from 2010 to 2020. This is above the average annual growth rate of -0.03% and 0.06% for New York and Pennsylvania, respectively. It is below the national growth rate of 0.6%. 30.2% of New Jersey's population is under the age of 25, lower than the national average of 31.2%. In addition, 17% of the State's population is 65 years or older, equal to the national share.

41.2% of New Jersey residents 25 years of age or older have a bachelor's degree or higher in 2019. This is the third highest rate in the nation and above the national average of 33.1%. New Jersey is also a diverse state. At 23.4%, New Jersey has the second highest share of foreign-born residents, behind only California, and above the national average of 13.7%. New Jersey also has the fourth highest percentage of residents that speak a language other than English at home at 32.2%. The State ranks behind only California, Texas, and New Mexico and is above the national percentage of 22%.

New Jersey's total population grew by 1% from 2010 to 2019. However, New Jersey also experienced net domestic out-migration during this period. Net domestic out-migration was greatest for residents aged 18-24, followed by residents aged 60 and over, according to data from the U.S. Census's American Community Survey. New Jersey's overall population still grew despite net domestic out-migration because natural population growth and foreign in-migration offset the losses from net domestic out-migration during this period.

New Jersey state income tax return data also indicates that the higher-income population grew faster than the overall population from 2009 to 2019 (the most recent year for which data is available). The total number of resident returns grew 10.3% during this time. Growth in the higher-income population was greatest with returns reporting income between $500,000 and $1.0 million growing by 115.8% and returns with income greater than $1.0 million growing by 99.3%.

For more information, see the 2020 ACFR-Statistical Section, which has been separately filed with the MSRB, and is incorporated by specific reference herein and is deemed a part of this Appendix I.

New Jersey Current Economic Outlook

The COVID-19 Pandemic continues to weigh on the economic outlook for both New Jersey and the nation, even though both have made significant progress in recovering from the sudden and severe reduction in economic activity that the COVID-19 Pandemic caused during the spring of 2020.

The State's labor market has regained 468,600 jobs since May 2020, which is 65.3% of the total jobs lost in March and April of that year. Job growth averaged 85,300 per month during the initial months of the recovery (June 2020 to September 2020) before slowing considerably from October 2020 to January 2021, when an average of 1,300 jobs were created per month. Growth has been fairly steady since then, averaging 16,500 jobs per month from February 2021 to August 2021.

Almost all of the sectors have recovered at least half of the jobs that were lost in March and April of 2020. Through August 2021, the trade, transportation, & utilities sector, which includes the hard-hit retail trade sub-sector, has recovered 82.3% of jobs lost. The education & health services sector, which lost the third most jobs in absolute terms, has regained 63.6% of jobs lost. The leisure & hospitality services sector, which lost the most jobs in both absolute and percentage terms, has regained 59.9% of jobs lost.

The public sector is one of only two sectors that have not recovered at least half of the jobs lost, the other being the information sector. Total job growth during the recovery period only recently turned positive for the public sector, which has now recovered 5.8% of jobs lost. Through July 2021, the public sector had lost an additional 8,400 jobs on top of the nearly 30,000 that had been lost in March and April of 2020. However, the public sector added 10,100 jobs in August 2021, which turned total growth positive for the recovery period that began in May 2020.

New Jersey's labor market experience is similar to that of its regional peers. Payroll employment declined by 17.0% in New Jersey and 17.2% in Connecticut in March and April 2020. New York suffered the largest decline, down 20.2%, followed by Pennsylvania, which was down 18.5%. Pennsylvania and Connecticut have recovered the largest proportion of jobs lost during the spring of 2020, at 69.1% and 68.9%, respectively. New Jersey has regained 65.3%, which is well above New York's 55.8% share.

The State's unemployment rate stood at 7.2% as of August 2021, which was 9.4 percentage points below the COVID-19 Pandemic peak of 16.6 percent in April 2020, but still 3.5 percentage points above February 2020's pre-COVID-19 Pandemic mark. New Jersey's unemployment rate had hovered between 7.7% and 7.8% from September 2020 through February 2021, except for a brief spike to 10.2% in November 2020, before beginning to decline again in March 2021.

The State's unemployment rate compares favorably to its regional peers. As of August 2021, Pennsylvania had the lowest unemployment rate at 6.4%. New Jersey and Connecticut had the same rate, at 7.2%, while New York had the highest rate at 7.4%. In addition, the State had the second highest labor force participation rate of the four regional states. Connecticut had the highest participation rate at 62.9%, followed by New Jersey at 62.7%. Pennsylvania, at 61.3%, and New York, at 60.4%, trailed the group.

New Jersey's housing market has performed well through the first eight months of 2021. Although single-family home sales were 10.3% lower year-over-year in August 2021, year-to-date sales were 13.1% higher because of strong double-digit growth that began in September 2020. The COVID-19 Pandemic, coupled with low mortgage rates, have increased demand for housing, while supply remains constricted. The number of homes for sale in August 2021 was 24.4% lower than the prior year. As a result, prices have appreciated considerably. The median sales price in August 2021 was 12.9% higher year-over-year, while year-to-date, the median sales price was 20.0% higher

Real GDP in New Jersey grew at a seasonally adjusted annual rate of 5.6% in the first quarter of 2021. Although the rebound in economic activity, which began during the second half of 2020, has been swift, real GDP remained 1.4% below 2019 fourth quarter's pre-COVID-19 Pandemic level. New Jersey's first quarter annualized growth rate does trail its three regional peers, but the State has also recovered more quickly than most of its peers. New York had the fastest growth rate during the first quarter of 2021, at 6.6%, followed by Connecticut and Pennsylvania, tied at 6.0%. Connecticut is the closest to returning to pre- COVID-19 Pandemic levels with real GDP down 0.7% relative to the fourth quarter of 2019. Pennsylvania's economy is 1.9% below pre-Pandemic levels, while New York's economy is 3.7% lower.

New Jersey residents received $3.5 billion in economic impact payments during the second round of federal stimulus that was distributed in December 2020 and January 2021, and an additional $9.6 billion during the third round of federal stimulus that was distributed in March and April of 2021. The substantial amount of federal stimulus money that flowed to New Jersey residents is the primary reason why New Jersey Personal Income grew at an annualized rate of 49.5% in the first quarter of 2021 and was 15.6% higher than the fourth quarter of 2019 pre- COVID-19 Pandemic level.

Concern over variants of the SARS-CoV-2 virus casts a shadow over the near-term economic outlook as the number of COVID-19 infections surges, especially amongst the unvaccinated, and reports of "break-through" infections among the vaccinated appear in the media. Variants are unlikely to derail the economic recovery because businesses have learned how to adapt and function in the current COVID-19 Pandemic world. In addition, the continued efficacy of the vaccines in reducing the probability of hospitalization or death makes the re-imposition of business restrictions less likely. The primary concern continues to be how consumers respond to the COVID-19 Pandemic. If consumers do not alter their behavior in response to variants, then the recovery continues unabated. However, if consumers pull back on indoor dining and other leisure activities, then certain sectors of the economy, such as leisure & hospitality services, will be unable to fully recover.

The spread of variants also highlights a significant potential risk factor to the economic outlook, which is the continued mutation of the SARS-CoV-2 virus. The fear is that one of the next mutations will reduce the efficacy of the vaccines in preventing hospitalizations and deaths, which may then lead to the re-imposition of business restrictions.

The inflation rate also has become a concern. The headline Consumer Price Index ("CPI") was 5.2% higher than a year ago as of August 2021, while the core CPI, which excludes food and energy goods, was 4.0% higher. Higher inflation is not a direct risk to the outlook for tax revenue collections. In fact, it is the opposite because higher prices will boost Sales Tax collections. Higher prices will erode consumer's purchasing power, which has a greater negative impact on lower-income households. However, that is an income inequality issue as opposed to a fiscal concern.

The concern is that if higher inflation persists, this will force the Federal Open Market Committee's ("FOMC") hand into raising the federal funds rate sooner than expected. Currently, the FOMC projects it will begin raising the federal funds rate in either 2022 or 2023. It is unlikely to raise the rate before the first half of 2022 given the need to be data dependent and for base-year effects to work its way through the data. Under the FOMC's new average inflation targeting ("AIT") regime, inflation can run above the 2.0 percent threshold for some time. But if inflation expectations consistently remain above the FOMC's target range, this increases the likelihood that the federal funds rate will be raised.

Risk of Climate Events

The State of New Jersey's location on the eastern seaboard of the United States exposes it to a variety of climate risks, such as severe storms and hurricanes, which can damage the State's infrastructure. In addition, much of the State's coastal areas may be vulnerable to sea level rise and other impacts of climate change. These climate events may damage significant portions of the State's infrastructure and may require the State to construct additional infrastructure. Further, these climate events may negatively impact the economy of the State. However, the State cannot predict the impact that these climate events may have on its financial condition.

The State's Department of Environmental Protection is responsible for developing studies and strategies to assist the State to reduce and respond to climate change within the State. In 2020, the Department of Environmental Protection developed a scientific study regarding climate change within the State of New Jersey. The Department of Environmental Protection also has developed strategies for combatting climate change. The Department of Environmental Protection does not develop any of its reports or strategies for purposes of investors making investment decisions and none of their reports or strategies are incorporated by reference into this Appendix.

Cybersecurity

The New Jersey Office of Information Technology, as the State's centralized infrastructure technology provider, has put in place multiple measures to minimize cyber threats, which include working in conjunction with the New Jersey Office of Homeland Security and Preparedness' cybersecurity division. These measures are recognized as industry-leading modern cyber protection mechanisms and serve to reduce the risk of successful cyber-attacks upon the State's information technology assets. However, despite these measures, it is recognized in the cybersecurity industry that no amount of preventative countermeasures and security features can successfully prevent 100% of all cyber-attacks. In addition, the State has purchased cyber breach insurance that covers professional services necessary to respond to a cybersecurity breach.

When the majority of the State's workforce shifted to remote work, the State experienced COVID-19 Pandemic-themed email threats. In addition to its multi-stage mail filtering solution, the State worked to mitigate email risks by increasing security awareness training, communications, and phishing simulation exercises. The State recognizes that having employees work from home utilizing their home networks rather than at their State offices location and through the State network that has defense-in-depth protections, introduces additional risks. To date, the State has not identified any increase in malware infections or compromises of endpoints that are being operated from home networks. Employees are continuously being provided with threat identification and risk mitigation communications, and the State security operations center has increased monitoring for all threats.

Risk of Delay in Gateway Program

The Gateway Program is a comprehensive passenger rail project designed to improve current passenger rail services, add resiliency and create new capacity along a critical 10-mile section of the Northeast Corridor ("NEC") between Newark, New Jersey and Pennsylvania Station in New York City ("PSNY"). The Gateway Program includes the Portal North Bridge Project and the Hudson Tunnel Project as part of Phase 1, which is intended to preserve the functionality of the NEC.

The existing Portal Bridge is a two-track, century-old railroad swing-type bridge that spans the Hackensack River in New Jersey. It is critical infrastructure for Amtrak and NJ Transit, enabling movement along the NEC between destinations east and west of the Hudson River. The existing Portal Bridge, due to its age, design, and current condition, represents a single point of failure on the NEC. The Portal North Bridge Project will replace the existing bridge with a new two-track fixed structure that will eliminate the need for a moveable span that interrupts rail operations and results in delays due to mechanical failures. This new bridge will greatly improve service reliability on the NEC, which is critical to commuter rail transit between New Jersey and New York City. In January 2021, NJ Transit signed a Full Funding Grant Agreement with the Federal Transit Administration for $766.5 million in federal Capital Investment Grant funds for the Portal North Bridge Project. NJ Transit has procured the construction contractor for the Portal North Bridge Project.

The Hudson Tunnel Project includes two components: the construction of a new two-track Hudson River rail tunnel from New Jersey to New York City that will directly serve PSNY; and the rehabilitation of the existing century-old North River Tunnel, which has deteriorated due to age, intensive use, and damage sustained from saltwater exposure during Superstorm Sandy. A closure of just one of the tunnel's two tubes, prior to the construction of the Hudson Tunnel Project, could reduce NJ Transit commuter rail train capacity by as much as 75%, which could severely impact the State's economy by making it more difficult for State residents to commute to and from PSNY. A potential disruption in NJ Transit commuter rail capacity to PSNY may make the State a less attractive place to live, which potentially could reduce the State's population, local property values and State tax revenues. However, the State cannot predict the impact of a potential disruption in NJ Transit commuter rail capacity to New York City may have on its financial condition.

Revenues

Increase in Fiscal Year 2021 Revenues

Revenue collections for Fiscal Year 2021 hit an all-time peak, rising above pre-COVID-19 Pandemic levels. The higher than expected revenue collections were due to: (i) federal payments to individuals, businesses, and governments; (ii) the rapid development and distribution of highly effective vaccines which boosted the economy; and (iii) a sharp upward turn-around in the stock markets. After State revenues declined in Fiscal Year 2020, due to the initial effects of the COVID-19 Pandemic, Fiscal Year 2021 revenues increased to a total of $48.5 billion, an increase of $10.5 billion, or 27.7% above Fiscal Year 2020.

Even when adjusting the Fiscal Year 2021 revenue total for the $4.3 billion in one-time resources from the New Jersey COVID-19 State Emergency Fund, total adjusted collections of $44.2 billion exceeded the pre-COVID-19 Pandemic State revenue peak of $38.3 billion in Fiscal Year 2019. Major tax revenues such as the Gross Income Tax ("GIT"), the Sales and Use Tax ("Sales Tax"), and the Corporation Business Tax ("CBT") all hit historic peak levels. Additionally, the new Pass-Through Business Alternative Tax ("PTBAIT") contributed significant one-time revenues due to certain payment and tax return timing issues (discussed below).

The GIT, the State's largest tax revenue source, was estimated at a new historic peak of $17.5 billion in Fiscal Year 2021, an increase of nearly $1.3 billion, or 7.8% above the prior year. The GIT estimate included the extension of the 10.75% marginal tax rate on taxable income greater than $5.0 million to also include taxable income greater than $1.0 million. Commonly called the "millionaires' tax," this tax policy change added an estimated $514.0 million to the GIT forecast in Fiscal Year 2021.

The Sales Tax in Fiscal Year 2021 was estimated at $11.3 billion, an increase of $1.5 billion over the prior year, up 15.4%. This new historic peak level was achieved due to a consumer spending surge bolstered by unprecedented federal stimulus payments to individuals and pent-up demand following the easing of various COVID-19 economic restrictions. While there were no new statutory changes to the Sales Tax enacted during Fiscal Year 2021, the taxation of certain online retailers – particularly from electronic marketplaces – that resulted from the United States Supreme Court's decision in *South Dakota v. Wayfair, Inc.*, was a source of strength, and is expected to yield approximately $545.7 million.

The CBT was estimated at a historic peak of $4.8 billion, an increase of $1.0 billion over Fiscal Year 2020, up 15.4%. The estimate included the extension of the temporary CBT surtax rate of 2.5%, which was estimated to yield $261.0 million in Fiscal Year 2021. The CBT was impacted by various tax credits, and the sale and transfer of those credits also impacted the CBT on Banks and Financial Institutions and the Insurance Premiums Tax. These tax credits are managed by the New Jersey Economic Development Authority ("NJEDA"). For more information, see "FINANCIAL RESULTS AND ESTIMATES – New Jersey Economic Development Authority Tax Credit Programs."

The PTBAIT was a substantial factor in the Fiscal Year 2021 revenue collections. Enacted in January 2020 (*L.* 2019, *c.* 320), PTBAIT provided tax relief to New Jersey taxpayers who have been negatively impacted by the cap on the federal deduction for state and local taxes ("SALT"). This new State tax allowed pass-through entities to elect to pay tax on proceeds that are distributed to its owners. In return, owners are subsequently able to claim a tax credit against their CBT or GIT liability equal to their share of the pass-through entity's tax liability.

In the long run, the PTBAIT is expected to be revenue neutral on an annual basis because any taxes paid by the pass-through entity should result in equivalent tax credits for the pass-through entity's members. The offsetting payments and credits are currently projected to each equal about $1.4 billion annually. However, during the initial Fiscal Year 2021, the State received gross payments of $2.1 billion, about $711 million above the expected recurring annual level, due in part to an effective date retroactive to the beginning of Tax Year 2020. Since quarterly estimated PTBAIT payments for Tax Year 2021 were also received during spring 2021, but the offsetting credit claims for those estimated spring 2021 payments are not due until the following spring in Fiscal Year 2022, the $711 million differential is effectively a one-time revenue benefit in Fiscal Year 2021 and is not expected to recur in future fiscal years.

Moreover, PTBAIT credit claims anticipated under the GIT and CBT have underperformed, accounting for less than $450 million to date compared to the annual PTBAIT credit expectation of about $1.4 billion. The revenue forecasts now assume the remaining unclaimed PTBAIT credits will be processed by October, during the annual GIT and CBT filing extension period (as discussed further below).

Fiscal Year 2022 Revenues Expected to Decline from Elevated Fiscal Year 2021 Levels

To address the uncertainties and fluctuations during the COVID-19 Pandemic, the State developed its Fiscal Year 2022 revenue forecast by projecting growth over pre-pandemic revenue levels. Total revenues are projected at $42.2 billion, a decline of nearly $6.3 billion, or 12.9% below Fiscal Year 2021. However, even after adjusting for last year's $4.3 billion in one-time resources from the New Jersey COVID-19 State Emergency Fund, baseline revenues are still forecasted to decline by about $2.0 billion in Fiscal Year 2022.

The primary reason for the baseline revenue decline is related to payment and credit timing issues with the PTBAIT. As noted above, PTBAIT collections are forecasted to decline by $711 million between the $2.1 billion peak in Fiscal Year 2021 and what is expected to be a more normal collections level of $1.4 billion in Fiscal Year 2022. In addition, the revenue forecasts for the GIT and the CBT include the assumption of nearly $1.0 billion in delayed PTBAIT credit claims, now anticipated to be accounted for by October 2021 during the annual individual and corporate filing extension period. Since this past year was the initial taxpayer filing period for the new PTBAIT program, the State is assuming such a large delay in credit claims will not recur and that the interaction between annual payments and credits will settle into a more consistent and predictable pattern in future years.

Accordingly, the Fiscal Year 2022 GIT forecast of $16.9 billion is down $637.1 million, or 3.6% below Fiscal Year 2021. The decline is driven by the delayed PTBAIT credit claims, estimated at $630.0 million. In addition, the GIT forecast is reduced to account for the following tax policy changes: (1) $114 million for the federal and State expansion of the Earned Income Tax Credit; (2) $97 million for the federal and State expansion of the Child and Dependent Care Tax Credit; (3) $111 million for the State's expanded income eligibility for the pension/retirement income exclusion; and (4) $87 million for the State's increased tax benefits for certain college costs.

The CBT forecast of $4.0 billion is down $859.9 million, or 17.8% below the prior year. This decline is also driven by the estimated $560.0 million in delayed PTBAIT credit claims. In addition, CBT refunds, which were unusually low in Fiscal Year 2021, are expected to return to more normal levels in Fiscal Year 2022, which will result in reduced net CBT revenues.

Sales and Use Tax revenues are expected to rise modestly in Fiscal Year 2022, to $11.4 billion, up $118.0 million, or 1.0% above the prior year. Growth is expected to moderate after the surge of consumer spending during Fiscal Year 2021, and as COVID-19 worries ease, consumers are also expected to reallocate spending from durable goods back to services, many of which are not taxable under the Sales Tax.

The following table sets forth actual and estimated revenues for fiscal years ended June 30, 2018 through 2022 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. The amounts for Fiscal Years 2018 through 2020 are actual and final. The Fiscal Year 2021 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2022 estimates are as presented in the Fiscal Year 2022 Appropriations Act and are based on the economic data presented above. See "FINANCIAL RESULTS AND ESTIMATES – New Jersey Current Economic Outlook" above and "APPENDIX I-A – SUMMARY OF CERTAIN STATE TAXES" below.

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REVENUES
(In Millions)

	2022 Estimated	2021 Estimated	2020 Actual	2019 Actual	2018 Actual
General Fund:					
Sales and Use Tax	$11,412.8	$11,294.8	$ 9,786.0	$ 9,938.6	$ 9,619.2
Sales and Use Tax (ETR moved on budget)[1]	788.5	788.5	788.5	788.5	788.5
Less: Property Tax Dedication	(895.9)	(887.0)	(798.1)	(816.5)	(750.0)
Net Sales and Use Tax	11,305.4	11,196.3	9,776.4	9,910.6	9,657.7
Corporation Business Tax	3,975.3	4,835.2	3,811.6	4,028.7	2,315.5
Pass-Through Business Alternative Income Tax	1,370.0	2,081.3	–	–	–
Lottery Fund[2]	–	–	–	–	–
Proceeds from NJ COVID-19 State Emergency Fund	–	4,288.7	–	–	–
Transfer Inheritance Tax	420.0	488.7	358.1	417.4	373.9
Insurance Premium Tax	540.0	494.4	622.3	522.2	591.2
Fringe Benefit Recoveries	1,009.3	817.2	708.1	736.9	731.1
Motor Fuels Tax	474.0	431.0	440.4	500.2	512.5
Motor Vehicle Fees	446.2	467.0	420.3	436.9	497.7
Medicaid Uncompensated Care	409.8	461.9	518.5	373.9	318.9
Realty Transfer Tax	488.0	523.2	364.7	374.2	376.3
Petroleum Products Gross Receipts	1,753.2	1,614.4	1,338.4	1,466.0	1,374.1
Petroleum Products Gross Receipts-Capital Reserves	(898.4)	(808.7)	(578.5)	(872.6)	(823.9)
Corporation Business Tax-Banks and Financials	117.5	109.8	283.0	292.4	152.3
Cigarette Tax	59.8	83.2	80.1	98.9	142.9
Alcoholic Beverage Excise Tax	138.3	138.5	121.8	112.2	109.5
Other	2,453.3	2,492.5	2,360.4	2,854.4	3,383.4
Total General Fund[3]	24,061.7	29,714.6	20,625.6	21,252.3	19,713.1
Property Tax Relief Fund:					
Gross Income Tax	16,881.0	17,518.1	16,253.7	15,903.3	15,037.9
Plus: Property Tax Dedication	916.5	907.6	820.8	844.5	768.9
Gross Property Tax Relief Fund	17,797.5	18,425.7	17,074.5	16,747.8	15,806.8
Gubernatorial Elections Fund-Taxpayer Designations	0.7	0.7	0.3	0.8	0.4
Casino Control Fund-License Fees, Interest	62.4	55.3	50.3	49.1	47.8
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	356.8	340.6	262.5	266.2	217.7
Total	$42,279.1	$48,536.9	$38,013.2	$38,316.2	$35,785.8

(1) Energy Tax Receipts revenue of $788.5 million was reclassified on budget beginning in Fiscal Year 2018.

(2) The State contributed its Lottery Enterprise to the Pension Plans as of June 30, 2017. See "STATE FUNDING OF PENSION PLANS—Lottery Enterprise Contribution Act" below. Accordingly, starting with Fiscal Year 2018, revenues from the Lottery Enterprise are no longer included in the General Fund.

(3) Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund's undesignated fund balance.

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Revenues — Dollar Growth

The following table sets forth actual and estimated incremental dollar growth in revenues for fiscal years ended June 30, 2018 through 2022 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. The incremental dollar growth in revenues for Fiscal Years 2018 through 2020 are actual and final. The Fiscal Year 2021 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2022 estimates are as presented in the Fiscal Year 2022 Appropriations Act.

REVENUES — DOLLAR GROWTH
(In Millions)

	2022 Estimated	2021 Estimated	2020 Actual	2019 Actual	2018 Actual
General Fund:					
Sales and Use Tax	$ 118.0	$ 1,508.8	$(152.6)	$ 319.4	$ 170.8
Sales and Use Tax (ETR moved on budget)[1]	–	–	–	–	788.5
Less: Property Tax Dedication	(8.9)	(88.9)	18.4	(66.5)	(27.4)
Net Sales and Use Tax	109.1	1,419.9	(134.2)	252.9	931.9
Corporation Business Taxes	(859.9)	1,023.6	(217.1)	1,713.2	174.0
Pass-Through Business Alternative Income Tax	(711.3)	2,081.3	–	–	–
Lottery Fund[2]	–	–	–	–	(995.6)
Proceeds from NJ COVID-19 State Emergency Fund	(4,288.7)	4,288.7	–	–	–
Transfer Inheritance Tax	(68.7)	130.6	(59.3)	43.5	19.3
Insurance Premium Tax	45.6	(127.9)	100.1	(69.0)	16.4
Fringe Benefit Recoveries	192.1	109.1	(28.8)	5.8	(33.0)
Motor Fuels Tax	43.0	(9.4)	(59.8)	(12.3)	(20.4)
Motor Vehicle Fees	(20.8)	46.7	(16.6)	(60.8)	(24.0)
Medicaid Uncompensated Care	(52.1)	(56.6)	144.6	55.0	(35.6)
Realty Transfer Tax	(35.2)	158.5	(9.5)	(2.1)	30.8
Petroleum Products Gross Receipts	138.8	276.0	(127.6)	91.9	511.7
Petroleum Products Gross Receipts-Capital Reserves	(89.7)	(230.2)	294.1	(48.7)	(493.1)
Corporation Business Tax-Banks and Financials	7.7	(173.2)	(9.4)	140.1	(48.0)
Cigarette Tax	(23.4)	3.1	(18.8)	(44.0)	(28.1)
Alcoholic Beverage Excise Tax	(0.2)	16.7	9.6	2.7	4.7
Other	(39.2)	132.1	(494.0)	(529.0)	547.4
Total General Fund[3]	(5,652.9)	9,089.0	(626.7)	1,539.2	558.4
Property Tax Relief Fund:					
Gross Income Tax	(637.1)	1,264.4	350.4	865.4	1,079.8
Plus: Property Tax Dedication	8.9	86.8	(23.7)	75.6	26.1
Gross Property Tax Relief Fund	(628.2)	1,351.2	326.7	941.0	1,105.9
Gubernatorial Elections Fund-Taxpayer Designations	–	0.4	(0.5)	0.4	0.2
Casino Control Fund-Licenses, Interest	7.1	5.0	1.2	1.3	2.6
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	16.2	78.1	(3.7)	48.5	(0.9)
Total	$(6,257.8)	$10,523.7	$(303.0)	$2,530.4	$1,666.2

(1) Energy Tax Receipts revenue of $788.5 million was reclassified on budget beginning in Fiscal Year 2018.
(2) The State contributed its Lottery Enterprise to the Pension Plans as of June 30, 2017. See "STATE FUNDING OF PENSION PLANS—Lottery Enterprise Contribution Act" below. Accordingly, starting with Fiscal Year 2018, revenues from the Lottery Enterprise are no longer included in the General Fund.
(3) Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund's undesignated fund balance.

Revenues — Percentage Growth

The following table sets forth actual and estimated year over year percentage growth in revenues for the fiscal years ended June 30, 2018 through 2022 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. Year over year percentage growth in revenues for Fiscal Years 2018 through 2020 are actual and final. The Fiscal Year 2021 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2022 estimates are as presented in the Fiscal Year 2022 Appropriations Act.

REVENUES — PERCENTAGE GROWTH

	2022 Estimated	2021 Estimated	2020 Actual	2019 Actual	2018 Actual
General Fund:					
Sales and Use Tax	1.0%	15.4%	(1.5)%	3.3%	1.8%
Sales and Use Tax (ETR moved on budget)(1)	–	–	–	–	–
Less: Property Tax Dedication	1.0	11.1	(2.3)	8.9	3.8
Net Sales and Use Tax	1.0	14.5	(1.4)	2.6	10.7
Corporation Business Taxes	(17.8)	26.9	(5.4)	74.0	8.1
Pass-Through Business Alternative Income Tax	(34.2)	–	–	–	–
Lottery Fund(2)	–	–	–	–	(100.0)
Proceeds from NJ COVID-19 State Emergency Fund	–	–	–	–	–
Transfer Inheritance Tax	(14.1)	36.5	(14.2)	11.6	5.4
Insurance Premium Tax	9.2	(20.6)	19.2	(11.7)	2.9
Fringe Benefit Recoveries	23.5	15.4	(3.9)	0.8	(4.3)
Motor Fuels Tax	10.0	(2.1)	(12.0)	(2.4)	(3.8)
Motor Vehicle Fees	(4.5)	11.1	(3.8)	(12.2)	(4.6)
Medicaid Uncompensated Care	(11.3)	(10.9)	38.7	17.2	(10.0)
Realty Transfer Tax	(6.7)	43.5	(2.5)	(0.6)	8.9
Petroleum Products Gross Receipts	8.6	20.6	(8.7)	6.7	59.3
Petroleum Products Gross Receipts-Capital Reserves	11.1	39.8	(33.7)	5.9	149.1
Corporation Business Tax-Banks and Financials	7.0	(61.2)	(3.2)	92.0	(24.0)
Cigarette Tax	(28.1)	3.9	(19.0)	(30.8)	(16.4)
Alcoholic Beverage Excise Tax	(0.1)	13.7	8.6	2.5	4.5
Other	(1.6)	5.6	(17.3)	(15.6)	19.3
Total General Fund(3)	(19.0)	44.1	(2.9)	7.8	2.9
Property Tax Relief Fund:					
Gross Income Tax	(3.6)	7.8	2.2	5.8	7.7
Plus: Property Tax Dedication	1.0	10.6	(2.8)	9.8	3.5
Gross Property Tax Relief Fund	(3.4)	7.9	2.0	6.0	7.5
Gubernatorial Elections Fund-Taxpayer Designations	–	133.3	(62.5)	100.0	100.0
Casino Control Fund-Licenses, Interest	12.8	9.9	2.4	2.7	5.8
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	4.8	29.8	(1.4)	22.3	(0.4)
Total	(12.9)%	27.7%	(0.8)%	7.1%	4.9%

(1) Energy Tax Receipts revenue of $788.5 million was reclassified on budget beginning in Fiscal Year 2018.

(2) The State contributed its Lottery Enterprise to the Pension Plans as of June 30, 2017. See "STATE FUNDING OF PENSION PLANS—Lottery Enterprise Contribution Act" below. Accordingly, starting with Fiscal Year 2018, revenues from the Lottery Enterprise are no longer included in the General Fund.

(3) Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund's undesignated fund balance.

Revenues — Percent of Total

The following table sets forth actual and estimated revenues as a percent of total revenue for fiscal years ended June 30, 2018 through 2022 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. Revenues as percent of total for Fiscal Years 2018 through 2020 are actual and final. The Fiscal Year 2021 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2022 estimates are as presented in the Fiscal Year 2022 Appropriations Act.

REVENUES — PERCENT OF TOTAL

	2022 Estimated	2021 Estimated	2020 Actual	2019 Actual	2018 Actual
General Fund:					
Sales and Use Tax	27.0%	23.3%	25.8%	25.9%	26.9%
Sales and Use Tax (ETR moved on budget)[1]	1.9	1.6	2.1	2.1	2.2
Less: Property Tax Dedication	(2.1)	(1.8)	(2.1)	(2.1)	(2.1)
Net Sales and Use Tax	26.8	23.1	25.8	25.9	27.0
Corporation Business Taxes	9.4	10.0	10.0	10.5	6.5
Pass-Through Business Alternative Income Tax	3.2	4.3	–	–	–
Lottery Fund[2]	–	–	–	–	–
Proceeds from NJ COVID-19 State Emergency Fund	–	8.8	–	–	–
Transfer Inheritance Tax	1.1	1.0	0.9	1.1	1.0
Insurance Premium Tax	1.3	1.0	1.6	1.4	1.7.
Fringe Benefit Recoveries	2.4	1.7	1.9	1.9	2.0
Motor Fuels Tax	1.1	0.9	1.2	1.3	1.4
Motor Vehicle Fees	1.1	1.0	1.1	1.1	1.4
Medicaid Uncompensated Care	1.0	1.0	1.4	1.0	0.9
Realty Transfer Tax	1.2	1.1	1.0	1.0	1.1
Petroleum Products Gross Receipts	4.1	3.3	3.5	3.8	3.8
Petroleum Products Gross Receipts-Capital Reserves	(2.1)	(1.7)	(1.5)	(2.3)	(2.3)
Corporation Banks and Financials	0.3	0.2	0.7	0.8	0.4
Cigarette Tax	0.1	0.2	0.2	0.3	0.4
Alcoholic Beverage Excise Tax	0.3	0.3	0.3	0.3	0.3
Other	5.8	5.1	6.2	7.4	9.5
Total General Fund[3]	57.1	61.3	54.3	55.5	55.1
Property Tax Relief Fund:					
Gross Income Tax	39.9	36.1	42.8	41.5	42.0
Plus: Property Tax Dedication	2.1	1.8	2.2	2.2	2.2
Gross Property Tax Relief Fund	42.0%	37.9%	45.0%	43.7%	44.2%
Gubernatorial Elections Fund-Taxpayer Designations	–	–	–	–	–
Casino Control Fund-Licenses, Interest	0.1	0.1	0.1	0.1	0.1
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	0.8	0.7	0.6	0.7	0.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Energy Tax Receipts revenue of $788.5 million was reclassified on budget beginning in Fiscal Year 2018.

(2) The State contributed its Lottery Enterprise to the Pension Plans as of June 30, 2017. See "STATE FUNDING OF PENSION PLANS—Lottery Enterprise Contribution Act" below. Accordingly, starting with Fiscal Year 2018, revenues from the Lottery Enterprise are no longer included in the General Fund.

(3) Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund's undesignated fund balance.

Use of Nonrecurring Resources and Appropriation Reductions

The State's budget is largely comprised of recurring revenue sources and expenditure obligations, and they may increase or decrease based on economic trends. However, each fiscal year, the Appropriations Act typically includes items of revenue and appropriation reductions that the State does not expect to recur, which generally range from 1.6% to 4.0% of State appropriations. As a result of the COVID-19 Pandemic, the State's dependence on one-time resources to fund on-going appropriations has significantly increased. The State estimates that such measures reflected 11% of State appropriations in the Fiscal Year 2022 Appropriations Act and 14.1% of State appropriations in the Fiscal Year 2021 Appropriations Act.

New Jersey Economic Development Authority Tax Credit Programs

The NJEDA administers a number of statutorily-authorized economic development tax credit programs. The programs that were in effect prior to January 7, 2021 are collectively referred to herein as the "Legacy Programs." The New Jersey Economic Recovery Act of 2020, *L.* 2020, *c.* 156 (the "NJ ERA"), which was enacted on January 7, 2021, established several new programs that will be collectively referred to herein as the "NJ ERA Programs."

Generally, the tax credits are issued for use in specific tax years. However, for some of the Legacy Programs, the recipient of the tax credits may carry forward the value of the tax credits for up to twenty (20) successive tax periods, depending upon the statutory provisions governing each individual tax credit program. In addition, for some of the Legacy Programs (not including the NJEDA's Angel Investor Tax Credit) the recipient may transfer the tax credit for use by a transferee in the tax period for which it was issued. The original recipient may have up to three (3) years after the date of the original issuance to transfer the tax credits to a potential transferee.

The NJEDA's projections of tax credit utilization in future fiscal years for the Legacy Programs is based on the amount that has been approved for utilization in those fiscal years. Actual utilization of tax credits, however, has been less than projected because taxpayers may withdraw their application, projects may be canceled, or the tax credit may be reduced based on performance.

The table below compares the NJEDA's projected utilization of tax credits to actual utilization from Fiscal Year 2018 to Fiscal Year 2021. Actual utilization was 69.4% of the original projection in Fiscal Year 2018, but has been in the 45.0% range over the past three fiscal years. Although credit utilization was projected to rise during this time, actual utilization has consistently remained below $400 million. The Fiscal Year 2022 revenue forecast assumes the current level of utilization for Legacy programs remains stable in the near term. While the tax credits primarily impact CBT revenues, the State's Insurance Premiums Tax also has been impacted in recent years because credits may be sold or transferred to insurance companies on the secondary market.

EDA Legacy Tax Credit Programs
Projected Utilization vs Actual Utilization
(in millions)

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Project Utilization	$479.6	$660.7	$872.1	$876.8
Actual Utilization	$332.7	$308.3	$396.3	$384.5
Difference	$146.8	$352.3	$475.8	$492.4

Newly Authorized Economic Development Tax Incentive Programs

The NJ ERA established eight new tax credit programs. There are seven primary tax credit programs as well as an additional smaller program aimed at supporting the in-state manufacturing of personal protective equipment. The PPE Tax Credit Program is for tax years 2020 through 2022 and has an annual cap of $10.0 million. The seven primary programs expire after seven years and have an overall cap of $11.5 billion.

The NJ ERA sets annual award limits for each of the seven new primary tax credit programs. However, if any program's annual limit is not reached, the NJEDA is authorized to add the unused amount to the subsequent year's program limit. The annual program award caps are for the first six years of the seven-year period. During the seventh year, the NJEDA may award any unused amount that has been carried forward from the first six years of the program. The NJ ERA also permits the NJEDA to exceed program limits in a given year by up to $200 million annually. The table below summarizes the annual tax credit award limits for the seven new primary programs created by the NJ ERA:

Summary of NJ ERA Tax Credit Programs
(in millions)

	Annual Cap	# of Years	Total Cap	Fiscal Year 2022	Fiscal Year 2023
Historic Property Reinvestment Act	$ 50	6	$ 300	$ –	$ –
Brownfield Redevelopment Incentive Program Act	50	6	300	–	–
New Jersey Innovation Evergreen Act	60	6	360	–	60
Food Desert Relief Act	40	6	240	–	40
Community Anchored Development Act	200	6	1,200	–	–
New Jersey Aspire (Non-Transformative) + Emerge	1,100	6	6,600	–	–
New Jersey Aspire (Transformative) + Emerge	–		2,500	–	–
Total "New ERA Programs"	$1,500		$11,500	$ –	$100

Newly Established Tax Credit Buy-Back Requirements

The NJ ERA newly incorporates tax credit buy-back and surrender provisions. For the NJ ERA Programs, as well as for some of the Legacy Programs, and at the discretion of the Director of the Division of Taxation, the State may buy back awarded but unused tax credits at a maximum price of 75% of the value of the tax credit. In addition, only with respect to tax credits awarded in the Aspire/Emerge Program, the NJ ERA allows an awardee to "surrender" the unused credit as long as it is at least two years after the award to the Division of Taxation for a cash payment equal to 90% of the face value of the tax credit.

Statutory "Poison Pills"

Some statutes contain provisions, commonly referred to as "poison pills," that may automatically bar the State from collecting certain taxes in the event the Legislature acts, or fails to act, in a specified manner. A poison pill may be triggered, for instance, when the Legislature fails to appropriate a designated amount of money to a particular program. No court has opined on the constitutionality of poison pill provisions. To date, poison pill provisions have had no impact on the annual Appropriations Act.

Appropriations

Appropriations — Fiscal Year 2018 through Fiscal Year 2022

The following table sets forth the composition of annual appropriations in Fiscal Years 2018 through 2022, including supplemental appropriations and deappropriations, 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 revenues be less than the amount anticipated in the Appropriations Act, the Governor may, pursuant to statutory authority, prevent expenditure under any appropriation. The amounts for Fiscal Years 2018 through 2020 are actual and final. The Fiscal Year 2021 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2022 estimates are as presented in the Fiscal Year 2022 Appropriations Act.

APPROPRIATIONS FOR BUDGETED STATE FUNDS(1)
(In Millions)

	For the 12-Month Period Ended June 30,				
	2022 Estimated	2021 Estimated	2020 Actual	2019 Actual	2018 Actual
General Fund					
Legislature	$ 104.1	$ 97.6	$ 80.9	$ 89.6	$ 85.4
Chief Executive	9.2	7.7	5.9	6.7	6.7
Department of:					
Agriculture	35.3	88.4	79.4	43.3	64.5
Banking and Insurance	89.5	64.0	140.6	64.0	64.0
Children and Families	1,274.2	1,219.6	1,144.0	1,160.4	1,180.0
Community Affairs	279.8	160.3	124.0	122.2	106.9
Corrections	1,079.8	1,064.6	1,033.6	1,039.7	1,037.6
Education	1,245.5	2,743.7	484.0	232.1	322.1
Environmental Protection	450.4	568.3	506.4	422.8	351.5
Health	1,139.6	1,128.0	985.7	948.3	919.6
Human Services	6,782.2	6,320.3	5,892.2	6,186.2	5,989.4
Labor and Workforce Development	206.6	177.3	169.6	167.6	165.9
Law and Public Safety	677.1	678.4	600.4	629.0	535.3
Military and Veterans' Affairs	99.5	97.7	95.9	95.9	96.7
State	1,717.4	1,490.5	1,300.3	1,370.0	1,324.4
Transportation	1,507.1	1,846.0	1,732.5	1,583.7	1,375.6
Treasury	1,726.0	1,647.3	1,038.4	1,322.6	1,066.6
Miscellaneous Commissions	1.0	0.8	0.7	0.8	0.8
Interdepartmental Accounts - Employee Benefits and Miscellaneous	6,444.1	8,679.9	4,638.6	4,615.3	4,408.8
Judicial Branch	831.7	828.0	789.3	762.3	757.8
Total, General Fund	25,700.1	28,908.4	20,842.4	20,862.5	19,859.6
Property Tax Relief Fund					
Department of:					
Agriculture	18.2	13.2	5.6	5.6	5.6
Community Affairs	856.5	824.9	742.4	757.7	742.4
Corrections	25.6	23.5	22.2	22.5	22.5
Education	16,790.8	12,891.9	14,458.0	14,072.0	13,028.8
Environmental Protection	7.8	6.5	4.0	4.0	4.0
Human Services	240.2	228.6	197.7	197.7	186.1
Law and Public Safety	5.0	4.6	3.0	3.0	2.0
State	5.0	3.7	3.7	3.7	3.7
Transportation	301.9	228.9	218.5	218.6	217.8
Treasury	1,965.7	1,783.7	1,602.2	1,497.7	1,614.6
Interdepartmental Accounts - Employee Benefits and Miscellaneous	45.4	45.4	40.1	45.4	45.4
Total, Property Tax Relief Fund	20,262.1	16,054.9	17,297.4	16,827.9	15,872.9
Gubernatorial Elections Fund					
Department of:					
Law and Public Safety	21.5	9.6	–	–	19.7
Total, Gubernatorial Elections Fund	21.5	9.6	–	–	19.7
Casino Control Fund					
Department of:					
Law and Public Safety	55.0	53.3	48.4	43.9	42.5
Treasury	7.4	7.6	7.3	7.3	7.5
Total, Casino Control Fund	62.4	60.9	55.7	51.2	50.0

(table continues on next page)

	For the 12-Month Period Ended June 30,				
	2022 Estimated	2021 Estimated	2020 Actual	2019 Actual	2018 Actual
Casino Revenue Fund					
Department of:					
Health	0.5	0.5	0.5	0.5	0.5
Human Services	335.7	273.2	260.0	269.6	216.4
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
Total, Casino Revenue Fund	338.5	276.0	262.8	272.4	219.2
Total Appropriations	$46,384.6	$45,309.8	$38,458.3	$38,014.0	$36,021.4

(1) 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.

The following table sets forth, by major category, the original, enacted and anticipated supplemental appropriations for Fiscal Years 2018 through 2020, the adjusted appropriation for Fiscal Year 2021, which is subject to further adjustment pending completion of the annual audit, and the appropriations for Fiscal Year 2022 as presented in the Fiscal Year 2022 Appropriations Act.

SUMMARY OF APPROPRIATIONS BY MAJOR CATEGORY
(In Millions)

	Fiscal Year 2022 Estimated	Fiscal Year 2021 Estimated	Fiscal Year 2020 Actual	Fiscal Year 2019 Actual	Fiscal Year 2018 Actual
State Aid	$20,588.8	$18,229.9	$17,359.4	$16,715.7	$16,618.3
Grants-in-Aid	13,788.9	12,174.4	10,804.1	11,214.4	10,004.2
Direct State Services	9,707.0	8,598.2	8,123.2	8,031.6	7,640.4
Capital Construction	1,904.7	5,666.1	1,827.2	1,727.8	1,432.1
Debt Service on General Obligation Bonds	395.2	641.2	344.4	324.5	326.4
Total	$46,384.6	$45,309.8	$38,458.3	$38,014.0	$36,021.4

Total Fiscal Year 2022 appropriations increased by $1.075 billion as compared to total Fiscal Year 2021 adjusted appropriations. The Fiscal Year 2021 adjusted appropriations include a supplemental appropriation of $3.7 billion to the New Jersey Debt Defeasance and Prevention Fund. Not taking into account that appropriation, the growth in Fiscal Year 2022 appropriations increases to $4.775 billion. Of that amount, $2.115 billion is provided both to support the full actuarially required pension contribution, and make an additional payment to the Pension Plans. Other significant increases include increased funding for PreK-12 school aid, growth for increased costs in entitlement programs such as NJFamilyCare, funding to support a middle class tax rebate, direct State appropriations to offset the need to issue debt for an offshore wind port project and for School Facilities Construction projects, as well as net increases in Health Benefits costs.

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The following tables set forth appropriations by department and by major category for Fiscal Year 2022 and adjusted appropriations by department and major category for Fiscal Year 2021.

APPROPRIATIONS FOR BUDGETED STATE FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2022
(In Millions)

Government Branch	Direct State Services	Grants–in-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive	$ 9.2	$ –	$ –	$ –	$ –	$ 9.2
Agriculture	7.8	27.5	18.2	–	–	53.5
Banking and Insurance	89.5	–	–	–	–	89.5
Children and Families	322.8	951.4	–	–	–	1,274.2
Community Affairs	49.9	222.2	864.2	–	–	1,136.3
Corrections	963.8	116.0	25.6	–	–	1,105.4
Education	91.8	287.3	17,657.2	–	–	18,036.3
Environmental Protection	254.9	5.6	13.4	152.2	32.1	458.2
Health	421.3	718.8	–	–	–	1,140.1
Human Services	279.4	6,666.9	411.8	–	–	7,358.1
Labor and Workforce Development	122.2	86.6	–	–	–	208.8
Law and Public Safety	698.2	55.5	5.0	–	–	758.7
Military and Veterans' Affairs	96.9	2.6	–	–	–	99.5
State	55.1	1,626.0	41.3	–	–	1,722.4
Transportation	52.8	113.5	101.9	1,540.8	–	1,809.0
Treasury	532.6	1,353.2	1,450.2	–	363.1	3,699.1
Miscellaneous Commissions	1.0	–	–	–	–	1.0
Interdepartmental	4,722.0	1,555.8	–	211.7	–	6,489.5
Subtotal	8,771.2	13,788.9	20,588.8	1,904.7	395.2	45,448.8
Legislature	104.1	–	–	–	–	104.1
Judiciary	831.7	–	–	–	–	831.7
Grand Total	$9,707.0	$13,788.9	$20,588.8	$1,904.7	$395.2	$46,384.6

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ADJUSTED APPROPRIATIONS FOR BUDGETED STATE FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021
(In Millions)

Government Branch	Direct State Services	Grants-in-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive	$ 7.7	$ –	$ –	$ –	$ –	$ 7.7
Agriculture	6.9	25.2	13.2	56.3	–	101.6
Banking and Insurance	64.0	–	–	–	–	64.0
Children and Families	323.4	896.2	–	–	–	1,219.6
Community Affairs	48.1	109.8	827.3	–	–	985.2
Corrections	951.2	113.4	23.5	–	–	1,088.1
Education	98.9	5.6	15,531.1	–	–	15,635.6
Environmental Protection	250.4	1.2	12.2	276.2	34.8	574.8
Health	411.7	716.8	–	–	–	1,128.5
Human Services	289.0	6,131.6	401.5	–	–	6,822.1
Labor and Workforce Development	107.0	72.5	–	–	–	179.5
Law and Public Safety	656.1	85.3	4.6	–	–	746.0
Military and Veterans' Affairs	95.1	2.6	–	–	–	97.7
State	44.7	1,387.2	62.3	–	–	1,494.2
Transportation	163.8	386.1	28.9	1,496.1	–	2,074.9
Treasury	499.2	1,007.7	1,325.3	–	606.4	3,438.6
Miscellaneous Commissions	0.8	–	–	–	–	0.8
Interdepartmental	3,654.6	1,233.2	–	3,837.5	–	8,725.3
Subtotal	7,672.6	12,174.4	18,229.9	5,666.1	641.2	44,384.2
Legislature	97.6	–	–	–	–	97.6
Judiciary	828.0	–	–	–	–	828.0
Grand Total	$8,598.2	$12,174.4	$18,229.9	$5,666.1	$641.2	$45,309.8

Programs Funded Under Appropriations in Fiscal Year 2022

$46,385 million is appropriated for Fiscal Year 2022 from the General Fund, the Property Tax Relief Fund, the Casino Control Fund, the Casino Revenue Fund and the Gubernatorial Elections Fund. $20,589 million (44%) is appropriated for State Aid, which consists 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. $13,789 million (30%) is appropriated for Grants-in-Aid, which represents 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. $9,707 million (21%) is appropriated for Direct State Services, which supports the operation of the State government's departments, the Governor's Office, several commissions, the State Legislature and the Judiciary. $1,905 million (4%) is appropriated for Capital Construction, which supports capital construction pay-as-you-go and debt service on bonds issued to fund capital construction. $395 million (1%) is appropriated for Debt Service on State General Obligation Bonds.

In Fiscal Year 2022, $5,797 million is appropriated to the Pension Plans from State funds, and was contributed to the pension plans on July 1, 2021. This appropriation does not include the impact of the Lottery Enterprise contribution. For more information on the fiscal impact of the Lottery Enterprise contribution on the Teachers' Pension and Annuity Fund ("TPAF"), the Public Employees' Retirement System ("PERS") and Police and Firemen's Retirement System ("PFRS"), see "STATE FUNDING OF PENSION PLANS - Lottery Enterprise Contribution Act."

Capital Construction

All appropriations for capital projects are subject to the review of the New Jersey Commission on Capital Budgeting and Planning (the "Commission") which voted to recommend such funding at its meeting on February 18, 2021. 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 ACFR, as well as the unfunded actuarial accrued liability for pension plans and the actuarial accrued liability for other post-employment medical benefits. The debt report is not an audited report.

For Fiscal Year 2022, requests for Capital Construction funding were substantially higher than the amount recommended by the Commission. The appropriations for Capital Construction contained in the Fiscal Year 2022 Appropriations Act are largely based on the recommendations of the Commission. There can be no assurance that the amounts ultimately 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.

Transportation Capital Program

L. 2016, *c.* 56, provides for an eight (8) year, $16 billion Transportation Capital Program between Fiscal Year 2017 and Fiscal Year 2024. The Fiscal Year 2022 Appropriations Act includes a $2 billion Transportation Capital Program for the New Jersey Department of Transportation ("NJDOT"), NJ Transit and local governments.

Debt Service on General Obligation Bonds and State Appropriation Obligations

The total Fiscal Year 2022 appropriation for debt service on General Obligation Bonds and State Appropriation Obligations is $4,317 million. Of this amount, $395.2 million represents principal and interest payments for General Obligation Bonds.

The Fiscal Year 2022 Appropriations Act includes appropriations for debt service on State Appropriation Obligations are in the aggregate amount of $3,921 million. Such appropriations are contained within the multiple functional categories, including State Aid, Grants-in-Aid, Direct State Services and Capital Construction. Appropriated debt service differs from the amounts shown in the tables entitled "SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2021" and "ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2021" due to various budgetary adjustments.

Risk Factors That May Affect Fiscal Year 2022 Appropriations

Fiscal Year 2022 appropriations are based on an estimate of various costs. There are various risk factors that could result in expenditures being significantly higher or lower than current forecasts. Many of the more significant risk factors are explained below. Additionally, it may be possible that increased COVID-19 Pandemic-related expenditures associated with federal aid, as well as future COVID-19 Pandemic mitigation and response expenditures, including testing, treatment and vaccination delivery could increase Fiscal Year 2022 spending.

In Fiscal Year 2022, medical costs for NJ FamilyCare and for State employee health care costs could fluctuate based on actual utilization rates and varying prescription drug prices and rebates. The State contracts with managed care organizations ("MCOs") to provide services to most NJ FamilyCare clients, which includes the cost of the home and community-based services portion of managed long term services and supports. In addition, NJ FamilyCare resources assume recoveries from fraud, national settlements, pharmaceutical rebates, and other sources that have been historically difficult to predict. Projected costs in these areas are closely monitored and constantly updated.

The cost of community-based services for clients with intellectual and developmental disabilities could fluctuate and may require supplemental funding in Fiscal Year 2022. This cost depends on the amount of services clients need during the year, including emergency residential placements. Projected costs in this area are closely monitored and constantly updated.

The Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSA") appropriated additional federal support under the Elementary and Secondary School Emergency Relief Fund ("ESSER II"), and the Governor's Emergency Education Relief Fund, to supplement funds provided under the CARES Act to address the impact of COVID-19 on elementary, secondary and higher education. CRRSA contains a maintenance of effort requirement, whereby states that receive these funds are required to maintain support for elementary and secondary education and higher education in Fiscal Year 2022 based on the proportional share of the State's support for those same categories averaged over Fiscal Years 2017 through 2019. Based on guidance provided by the U.S. Department of Education, New Jersey does not meet the maintenance of effort requirement as it relates to higher education. Although New Jersey has requested a waiver, it is uncertain if that waiver will be granted. It is also uncertain how New Jersey will rectify the maintenance of effort issue, should the waiver request be denied. It is possible that New Jersey may have to pay some portion of funding back to the federal government.

The American Rescue Plan Act of 2021 ("ARP") also provides funding under ESSER ("ESSER III"), and contains the same maintenance of effort provision as CRRSA but with the requirement for both Fiscal Year 2022 and 2023. As noted above, the State has requested a waiver for the maintenance of effort requirement as it relates to higher education for Fiscal 2022, and is awaiting the federal decision. In addition, the ESSER III also contains a maintenance of equity provision whereby states are not allowed to reduce per pupil funding for the highest need districts in either Fiscal Year 2022 or 2023 by more than any per pupil reduction across all districts, and requires that the State maintain the per pupil funding for the highest need districts at least at the Fiscal Year 2019 amount. Local school districts must also meet a maintenance of equity requirement. The State does not meet the maintenance of equity provision in Fiscal Year 2022, and there is no waiver provision for maintenance of equity. The U.S. Department of Education ("USDOE") has initially determined that the State must remedy any under-allocation of funding based on the maintenance of equity provisions as provided in ARP. The State is seeking clarification on the calculation of additional funding. The State is requesting clarification from USDOE if the State may include local tax effort in its calculation of per pupil funding. Until the USDOE provides additional guidance on the calculation, the funding required under the maintenance of effort provisions is undetermined. The Fiscal Year 2022 Appropriations Act provides language that allows the Budget Director to appropriate additional funds to meet either of the aforementioned maintenance of effort or maintenance of equity requirements for higher education and K-12 education, if necessary. This language will likely be utilized to make the additional payment to the impacted to school districts to comply with the maintenance of equity provisions of ARP in Fiscal Year 2022, based on the calculation clarification requested from USDOE.

Following enactment of the annual appropriations act, the State closely monitors revenues and expenditures, comparing actual results to projections. Such monitoring has identified where actual expenditures and commitments in various items of appropriation have been less than originally anticipated. Though the factors above could require certain supplemental appropriations in Fiscal Years 2021 and 2022, identified budget savings have offset fully or substantially the need for supplemental appropriations in prior fiscal years. In the past, factors resulting in such budget savings have included, but have not been limited to: attrition of the State workforce; trend changes in the marketplace; and shifts in demographics and service beneficiaries' utilization rates. Consistent with past experience, it is likely that certain appropriations will exceed actual expenditures and commitments by the close of Fiscal Year 2022, allowing for flexibility to either fully or substantially address the need for other appropriations that arise through the course of the fiscal year, or to add to the undesignated fund balance.

Federal Aid

Federal Aid Receipts

In general, federal aid receipts in the General Fund and Special Transportation Fund of the State do not have a material impact on the financial condition of the General Fund of the State because federal aid receipts are required to be applied to specific designated expenditures, and the amount of federal aid receipts matches the amount of such expenditures. In some circumstances, federal aid receipts do impact the General Fund because they offset expenditures that the State would otherwise be required to make. In addition, with respect to many of the programs pursuant to which the State receives federal aid, the State is subject to audits of the expenditures to ensure that the State complied with the program requirements. In instances in which the State makes expenditures in violation of program requirements, the State may be obligated to repay the federal government the amounts of such expenditures and other associated amounts.

Actual federal aid receipts in the General Fund and Special Transportation Fund for Fiscal Years 2018 through 2020, which are non-budgeted revenues, amounted to $14,408.3 million, $14,951.7 million and $16,414.2 million, respectively. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2021 and for Fiscal Year 2022 are estimated to be $17,851.9 million and $20,286.0 million respectively. Such federal aid receipts for Fiscal Year 2022 are composed of $13,070.1 million for health related family programs under Titles XIX and XXI, $1,286.3 million for other human services, $957.2 million for Title I and other education, $542.9 million for labor, $1,243.3 million for transportation, and the remainder for all other federal aid programs.

Federal Coronavirus Relief Aid

The federal government has provided substantial relief to States to help recover from, and mitigate the financial pressures of, the COVID-19 Pandemic. These stimulus packages have not only largely offset the need for the State to incur costs related to the public health emergency, but also have provided opportunities for the State to offset current expenditures and potentially replace lost revenues. The major stimulus packages have included the CARES Act, which established the $150 billion Coronavirus Relief Fund ("CRF"); the Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSA"), which amended and supplemented the CARES Act, and the American Rescue Plan Act of 2021 ("ARP"), which established a $350 billion State and Local Fiscal Recovery Fund ("SLFRF"). The CRF and the SLFRF are only two of the many grants made available by the federal government to help mitigate the financial pressures of the COVID-19 Pandemic.

While the State has utilized some of the funding streams to offset State budgeted costs, the Fiscal Year 2022 Appropriations Act does not rely on these federal revenue streams. However, of the $6.2 billion in direct SLFRF funding received by the State, as much as $3.4 billion could be applied to the State budget to offset COVID-19 Pandemic revenue losses. This revenue loss calculation is preliminary and subject to change as SLFRF guidance continues to evolve and the U.S. Department of the Treasury adopts a final ruling.

As with all federal aid grants, the expenditure and use of these funds will be subject to federal audit. The State is utilizing a host of internal controls and documentation to ensure, to the greatest extent possible, that the expenditure of funds complies with the federal regulations and guidance.

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 budgeted, non-budgeted and federal funds. The table entitled "EXPENDITURES" on the next page displays the expenditures for Fiscal Years 2018 through 2020.

Expenditures exceed the dollar amounts enumerated in the 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
(In Millions)

	For the Fiscal Year Ended June 30		
	2020	2019	2018
General Fund:			
Legislative Branch	$ 86.9	$ 86.8	$ 81.8
Chief Executive's Office	8.2	7.8	6.6
Department of:			
Agriculture	675.6	565.2	532.9
Banking and Insurance	90.5	56.5	58.6
Children and Families	1,910.7	1,875.3	1,843.4
Community Affairs	821.3	635.3	1,070.1
Corrections	1,169.9	1,163.5	1,080.0
Education	1,766.5	1,188.5	1,247.6
Environmental Protection	584.2	672.0	639.4
Health	2,086.7	2,384.2	2,036.7
Human Services	18,725.4	17,431.2	17,193.5
Labor and Workforce Development	788.0	795.7	785.0
Law and Public Safety	1,476.8	1,298.8	1,218.0
Military and Veterans' Affairs	161.1	155.8	145.2
State	1,366.9	1,355.4	1,324.1
Transportation	3,198.1	3,159.5	2,415.5
Treasury	1,495.2	1,696.8	1,534.9
Miscellaneous Executive Commissions	0.7	0.8	0.8
Interdepartmental Accounts	4,622.2	4,508.2	4,202.4
Judicial Branch	901.4	946.9	883.1
Total General Fund	$41,936.3	$39,984.2	$38,299.6
Property Tax Relief Fund:			
Department of:			
Agriculture	$ 5.6	$ 5.6	$ 5.6
Community Affairs	319.8	379.9	392.6
Corrections	21.6	22.5	22.1
Education	14,217.2	14,032.2	12,985.7
Environmental Protection	4.8	4.8	4.8
Health	–	12.1	95.1
Human Services	200.0	182.2	93.9
Law and Public Safety	3.0	3.0	2.0
State	3.6	3.7	3.7
Transportation	218.8	218.6	217.8
Treasury	1,996.8	1,838.8	1,954.5
Interdepartmental	39.8	45.3	45.0
Total Property Tax Relief Fund	$17,031.0	$16,748.7	$15,822.8
Gubernatorial Elections Fund	$ –	$ –	$ 13.0
Casino Control Fund:			
Department of:			
Law and Public Safety	$ 45.2	$ 43.9	$ 42.1
Treasury	5.3	5.4	5.7
Total Casino Control Fund	$ 50.5	$ 49.3	$ 47.8
Casino Revenue Fund:			
Department of:			
Health	$ 0.5	$ 0.5	$ 0.5
Human Services	259.7	264.2	216.1
Labor and Workforce Development	2.2	2.2	2.2
Law and Public Safety	0.1	0.1	0.1
Total Casino Revenue Fund	$ 262.5	$ 267.0	$ 218.9
Total Expenditures	$59,280.3	$57,049.2	$54,402.1

CASH MANAGEMENT

Timing imbalances of the revenue collections and expenditures of the General Fund and the Property Tax Relief Fund exist because approximately 60% of the State's net major tax revenues are received in the second half of the fiscal year and over 35% of net major tax revenues are received during the last quarter of the fiscal year. For the past several fiscal years, this timing imbalance has led to State revenues only consistently exceeding State expenditures late in the third quarter or early in the fourth quarter of the fiscal year. In past fiscal years, the State's negative cash flow position through the first three quarters of a fiscal year was exacerbated by the fact that GIT receipts are not known until around early May of each fiscal year.

Furthermore, *L.* 2016, *c.* 83 (the "Pension Contribution Act") requires the State to make its payments to the Pension Plans in quarterly installments on September 30, December 31, March 31 and June 30 commencing in Fiscal Year 2018. Prior to Fiscal Year 2018, the State had made its payments to the Pension Plans at the end of each fiscal year. The Pension Contribution Act reduces the State's flexibility to decrease expenditures in a fiscal year if revenues are less than anticipated.

To address these challenges, the State employs a cash flow modeling system and may utilize a variety of tools to manage its cash. These tools include, but are not limited to: issuance of Tax and Revenue Anticipation Notes ("TRANs"); management of the impact of debt issuances during a fiscal year; interfund borrowing during a fiscal year; and utilizing balances in the Transportation Trust Fund to pay Transportation Trust Fund expenditures, rather than utilizing General Fund balances to pay Transportation Trust Fund expenditures and then reimbursing the General Fund from balances in the Transportation Trust Fund.

TAX AND REVENUE ANTICIPATION NOTES

The State frequently issues TRANs to aid in providing effective cash flow management by funding timing imbalances which occur in the collection and disbursement of the General Fund and Property Tax Relief Fund revenues.

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. TRANs are payable solely from revenues attributable to the fiscal year in which the TRANs were issued. The State does not intend to issue TRANs during Fiscal Year 2022.

The following table sets forth the amounts of TRANs issued for the past five fiscal years.

Fiscal Year	Amount of TRANs Issued
2017	$1,750,000,000
2018	1,500,000,000
2019	1,500,000,000
2020	1,500,000,000
2021	0

LONG-TERM OBLIGATIONS

General Obligation Bonds

General Obligation Bonds of the State are authorized from time to time by Acts of the State Legislature. Each such "Bond Act" sets forth the authorized amounts and purposes of the bonds as well as certain parameters for issuing bonds, such as maximum term. Purposes under the Bond Acts have included open space and farmland preservation, water supply protection, transportation, higher education, port development, economic development, hazardous waste remediation, and many other public purposes. The Bond Acts provide that the bonds issued represent a debt of the State, and the faith and credit of the State are pledged to their repayment. Generally, each Bond Act requires voter approval. However, the Emergency Exception provides that no voter approval is required for bonds issued to meet an emergency caused by a disaster. See "CERTAIN CONSTITUTIONAL PROVISIONS AND JUDICIAL DECISIONS – Debt Limitations" herein. To address the financial consequences of the COVID-19 Pandemic, the Emergency Bond Act was passed pursuant to which, on November 24, 2020, the State issued its $3,672,360,000 New Jersey COVID-19 General Obligation Emergency Bonds, 2020 Series A. The State no longer has authorization to issue any additional bonds under the Emergency Bond Act.

Certain decisions relating to a general obligation bond sale, including the setting of interest rates and amortization of the bonds, are delegated to the "Issuing Officials" of the State, comprising the Governor, State Treasurer and Budget Director. The State Treasurer is directed to hold and invest the proceeds of the bond sale pending their expenditure in separate funds as established by the Bond Act. The Refunding Bond Act of 1985 sets forth the procedures and parameters for issuing bonds for the purpose of refunding outstanding bonds issued under any other Bond Act.

General Obligation Bonds are described in the "Notes to the Financial Statements" and the Statistical Section set forth in the 2020 ACFR which is incorporated by specific reference herein. See also the table captioned "STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2020 AND 2019" in the 2020 ACFR.

State Appropriation Obligations

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, if any, on swap agreements defined below under *"- Swap Agreements*." 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 — 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 swap agreements 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 or limitations and impose, modify or remove programmatic restrictions. The State Legislature may also authorize new swap agreements with the governmental authorities listed below or other governmental authorities to secure the financing of projects and programs in the future. Certain of these changes may require voter approval.

The State expects that additional State Appropriation Obligations will be issued during Fiscal Year 2022 and future fiscal years. The Lance Amendment, described under "CERTAIN CONSTITUTIONAL PROVISIONS AND JUDICIAL DECISIONS — Debt Limitations" herein, prohibits the State Legislature from enacting legislation authorizing State Appropriation Obligations payable from sources other than constitutionally dedicated sources unless such legislation is submitted and approved by a majority of legally qualified voters of the State voting thereon at a general election. The State Legislature is not legally obligated to appropriate amounts for the payment of such State Appropriation Obligations debt service in any year, and there can be no assurance that the State Legislature will make any such appropriations. See also the table captioned "STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2020 AND 2019" in the 2020 ACFR.

The following tables set forth the State's long-term obligations. The first table summarizes by issuer and by program the principal amounts outstanding on June 30, 2021 and the estimated Fiscal Year 2022 debt service on such obligations. The second table depicts the aggregate estimated future debt service as of June 30, 2021 on all such General Obligation Bonds and State Appropriation Obligations. 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 11 — Long-Term Obligations and the Schedule of Long-Term Debt in the 2020 ACFR. In addition, there are certain obligations which are included in such Note 11, which are not included in the following tables or elsewhere in this Appendix I. The amounts included in Note 11 which are not included in the following tables consist of Business Employment Incentive Program ("BEIP") payments to private businesses. The State Legislature has never failed to appropriate amounts for the payment of debt service on the State Appropriation Obligations included in the following tables.

SUMMARY OF LONG-TERM OBLIGATIONS
AS OF JUNE 30, 2021

Issuer	Type of Agreement	Principal Amount Outstanding(1)	Fiscal Year 2022 Debt Service(2)
General Obligation Bonds	General Obligation	$ 5,454,440,000	$ 393,112,013
State Appropriation Bonds by Issuer or Program:			
Garden State Preservation Trust	Contract	484,304,410	97,641,306
New Jersey Building Authority	Lease	94,880,000	19,376,238
New Jersey Economic Development Authority			
Biomedical Research Facilities	Contract	41,220,000	3,466,848
Cigarette Tax Revenue	Contract	436,940,000	83,292,000
Department of Human Services Programs	Service Contract	2,992,000	873,537
Liberty State Park Project	Lease	43,530,000	9,937,975
Motor Vehicle Surcharges Revenue	Contract	637,985,084	61,922,506
Motor Vehicle Surcharges Revenue- Special Needs Housing	Contract	141,023,314	39,577,021
Municipal Rehabilitation	Contract	81,305,000	14,230,637
New Jersey Transit Corporation Projects	Lease	996,965,000	108,651,125
School Facilities Construction	Contract	8,916,853,000	1,117,003,905
State House Project	Lease	318,995,000	23,795,881
State Government Buildings Projects		355,865,000	24,570,150
State Pension Funding	Contract	1,882,832,775	506,962,677
State Police Barracks Project	Lease	1,770,000	953,500
New Jersey Educational Facilities Authority			
Capital Improvement Fund	Contract	356,805,000	69,201,008
Equipment Leasing Fund Program	Contract	13,145,000	7,637,250
Facilities Trust Fund	Contract	130,305,000	19,696,581
Public Library Project Grant Program	Contract	7,085,000	3,722,875
Technology Infrastructure Fund	Contract	22,475,000	3,731,475
New Jersey Health Care Facilities Financing Authority			
Greystone Park Psychiatric Hospital Project	Contract	150,635,000	17,565,838
Hospital Asset Transformation Program	Contract	164,090,000	14,893,000
Marlboro Psychiatric Hospital Project	Contract	63,050,000	3,869,975
New Jersey Sports and Exposition Authority	Contract	111,010,000	33,141,320
New Jersey Transportation Trust Fund Authority			
Transportation Program Bonds	Contract	6,212,155,000	374,199,075
Transportation System Bonds	Contract	9,249,380,716	1,029,798,967
State-Supported County College Bonds	Statutory	162,313,258	32,991,129
State Equipment Line of Credit	Lease	38,339,877	22,086,485
Master Energy Lease Purchase Agreement	Lease	65,066,261	9,733,778
TOTALS		$36,637,755,694	$4,147,636,075

(1) Amounts for outstanding capital appreciation bonds do not include accretion from date of issuance.
(2) For variable rate obligations, estimated interest amounts were calculated using the rates in effect on June 30, 2021. (See "LONG-TERM OBLIGATIONS - Description of Certain Long-Term Obligations - Variable Rate Obligations" herein).

ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2021

	General Obligation Bonds		State Appropriation Obligations		
Fiscal Year	**Principal**	**Interest**	**Principal[1]**	**Interest[1][2]**	**Total**
2022	$ 159,415,000	$ 233,697,013	$ 1,990,574,453	$ 1,763,949,609	$ 4,147,636,075
2023	417,010,000	226,351,435	2,043,130,671	1,678,320,303	4,364,812,408
2024	392,185,000	209,491,023	1,930,960,074	1,597,698,451	4,130,334,547
2025	410,755,000	190,771,848	1,850,550,253	1,652,175,133	4,104,252,233
2026	430,080,000	171,528,558	2,090,384,755	1,409,458,528	4,101,451,840
2027	450,255,000	151,420,545	2,037,791,421	1,259,019,054	3,898,486,020
2028	471,700,000	130,050,045	2,190,932,903	1,156,755,827	3,949,438,775
2029	496,580,000	107,621,725	1,808,333,988	1,098,759,784	3,511,295,497
2030	520,480,000	84,027,033	1,210,088,984	953,486,969	2,768,082,985
2031	540,385,000	64,182,280	1,066,321,708	907,089,569	2,577,978,558
2032	561,910,000	42,721,205	884,484,394	868,299,349	2,357,414,948
2033	120,945,000	21,871,903	921,411,399	814,154,205	1,878,382,507
2034	94,175,000	17,689,288	953,362,450	778,567,036	1,843,793,773
2035	97,490,000	14,631,013	1,003,362,671	743,451,801	1,858,935,484
2036	60,340,000	11,459,325	874,134,435	822,784,738	1,768,718,498
2037	62,275,000	9,774,250	882,709,324	766,255,445	1,721,014,020
2038	34,460,000	8,011,500	835,041,526	756,561,499	1,634,074,525
2039	36,285,000	6,700,000	841,978,420	808,581,867	1,693,545,287
2040	37,860,000	4,885,750	1,024,440,782	673,294,020	1,740,480,553
2041	40,040,000	2,992,750	1,191,126,082	339,400,553	1,573,559,385
2042	19,815,000	990,750	717,350,000	158,764,527	896,920,277
2043	–	–	567,300,000	124,886,025	692,186,025
2044	–	–	474,150,000	97,938,150	572,088,150
2045	–	–	350,295,000	76,065,850	426,360,850
2046	–	–	320,835,000	61,502,900	382,337,900
2047	–	–	311,025,000	47,578,319	358,603,319
2048	–	–	299,865,000	34,173,106	334,038,106
2049	–	–	285,495,000	21,370,125	306,865,125
2050	–	–	225,880,000	9,340,100	235,220,100
	$5,454,440,000	$1,710,869,236	$31,183,315,694	$21,479,682,841	$59,828,307,770

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

[2] For variable rate bonds, interest amounts were calculated using the rates in effect on June 30, 2021. (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION - Variable Rate Bonds" herein).

New Jersey Debt Defeasance and Prevention Fund

On June 29, 2021, P.L. 2021 c.125 established the New Jersey Debt Defeasance and Prevention Fund (the "Defeasance and Prevention Fund"). The Defeasance and Prevention Fund was created for the purposes of retiring and defeasing State debt (including General Obligation Bonds and State Appropriation Obligations) and funding capital projects on a pay-as-you-go basis. The bill deposited $3.7 billion from the State's General Fund into the Defeasance and Prevention Fund for the following purposes: $2.5 billion for retiring and defeasing State debt and $1.2 billion for funding capital construction projects. The State expects to expend the $2.5 billion for retiring and defeasing State debt during Fiscal Year 2022. The State also expects to expend a portion of the $1.2 billion for funding capital construction projects during Fiscal Year 2022.

Issuers of State Appropriation Obligations

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 issued all of 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 NJEDA is authorized to issue bonds for various purposes described below.

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 has issued revenue bonds on behalf of non-profit community service providers. The payment of debt service on these revenue bonds is the obligation of the community service providers. However, such debt service payments as well as the payment of certain other provider expenses are reimbursed 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.

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. 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 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 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"), and $1,000,000,000 for the State share of costs for school facilities projects in all other districts, $50,000,000 of which is allocated 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 GIT 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 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.

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. On September 14, 2016, the NJEDA issued $46.850 million of Biomedical Research Facilities Bonds, Series 2016A. 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.

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. See "CERTAIN CONSTITUTIONAL PROVISIONS AND JUDICIAL DECISIONS – Judicial Decisions" herein.

New Jersey Educational Facilities Authority

The New Jersey Educational Facilities Authority ("NJEFA") issues bonds pursuant to seven separate 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 or are redeemed, the bonding capacity revolves. As of June 30, 2021, under these programs, the NJEFA has, in aggregate, approximately $542,515,000 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. The State has financed the construction of a new Greystone Park Psychiatric Hospital, the demolition of the old Greystone Park Psychiatric Hospital and the demolition of the old Marlboro Psychiatric Hospital through the issuance of bonds by HCFFA that are secured by payments made by DHS, subject to appropriation by the State Legislature.

Under the Hospital Asset Transformation Program established by *L.* 2000, *c.* 98, 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 Joint Budget Oversight Committee.

The New Jersey Transportation Trust Fund Authority Act of 1984, as amended by *L.* 2016, *c.* 56 authorizes the issuance of $12 billion in Transportation Program Bonds between Fiscal Year 2017 and Fiscal Year 2024, the payment of debt service on which must be paid solely from revenues dedicated for transportation purposes pursuant to Article VIII, Section II, paragraph 4 of the State Constitution.

An amendment to Article VIII, section II, paragraph 4 of the State Constitution was approved by the voters on November 8, 2016, dedicating all revenue from the motor fuels and petroleum products gross receipts taxes for transportation purposes. These constitutionally dedicated monies are available to be appropriated by the Legislature to the TTFA to pay debt service on Transportation Program Bonds issued by the TTFA and as pay-as-you-go-funding. Any constitutionally dedicated revenues in excess of the amount needed to pay debt service on TTFA bonds and Transportation Capital Program project costs are appropriated to the Transportation Trust Fund Account - Subaccount for Capital Reserves to meet future Transportation Capital Program needs.

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.

State Equipment Lease Financing

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

Master Energy Lease Purchase Agreement

The State finances the acquisition of certain energy efficiency projects at State facilities through equipment lease financings established from time to time with one or more financial services providers. Repayments of amounts drawn under the equipment lease financings are subject to appropriation by the State Legislature.

Description of Certain Long-Term Obligations

Variable Rate Obligations

As of June 30, 2021, the NJEDA had outstanding $380,515,000 of floating rate notes ("FRN"), which bear interest at rates that reset weekly and are based on the Securities Industry and Financial Markets Association ("SIFMA") rate plus a fixed spread. There are no letters of credit in support of these notes. Such notes are included within the Long-Term Obligations tables herein.

The following table provides a summary of the State-supported variable rate obligations outstanding as of June 30, 2021.

SUMMARY OF VARIABLE RATE OBLIGATIONS AS OF JUNE 30, 2021

Issuer	Series	Type-Reset Period	Amount Outstanding ($) as of 6/30/21	Index Rate (if applicable)	Interest Rate as of 6/30/21	Maturity Date
NJEDA	2013 Series I	FRN-Weekly	$ 60,850,000	SIFMA+1.25%	1.28%	9/01/25
School Facilities Construction	2013 Series I	FRN-Weekly	89,580,000	SIFMA+1.55	1.58	9/01/27
	2013 Series I	FRN-Weekly	230,085,000	SIFMA+1.60	1.63	3/01/28
		Total	**$380,515,000**			

Bank Loan Bonds

The NJEDA and the NJEFA have issued certain series of bonds to finance school facilities construction projects and higher education capital improvement projects pursuant to term loan agreements with several banks. A bank's rights under such term loan agreements are essentially the same as bondholders' rights except for a few differences. The bank may require the mandatory term out of the bonds for a shortened amortization period if certain events occur under the loan agreement, including, without limitation, the failure to pay, or cause to be paid, when due, principal of or interest on the bonds, a debt moratorium, a ratings downgrade, a material failure to perform under the State Contract, an action that material adversely affects the rights, remedies or security of the trustee under the bond resolution or the bank under the term loan agreement or a material amendment or modification to the State Contract without the prior written consent of the bank. For tax-exempt bonds, the term loan agreements provide that if an event of taxability occurs, the interest rate on the bonds will increase. The aggregate amount of such bank loan bonds outstanding as of June 30, 2021 is $1,571,413,000. Such bonds are included within the Long-Term Obligations tables herein.

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The following table provides a summary of the State-supported term loan agreements outstanding as of June 30, 2021.

BANK LOAN PORTFOLIO

NJEDA School Facilities Construction Bonds

Lender	Series	Tax Status	Amount Outstanding ($) as of 6/30/21	Fixed Interest Rate*	Maturity Date
Bank of America, N.A.	2014 Series SS	Tax Exempt	$ 69,795,000	2.910%	6/15/2022
Bank of America, N.A.	2014 Series SS	Tax Exempt	40,690,000	2.910	6/15/2023
Bank of America, N.A.	2014 Series SS	Tax Exempt	41,800,000	2.910	6/15/2024
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	31,100,000	5.250	9/1/2022
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	79,440,000	5.250	9/1/2023
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	102,850,000	5.250	9/1/2024
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	86,620,000	5.250	9/1/2025
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	104,200,000	5.250	9/1/2026
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	30,555,000	5.250	9/1/2027
Barclays Capital Inc.	2019 Series HHH-1	Tax Exempt	21,060,000	5.250	9/1/2022
Barclays Capital Inc.	2019 Series HHH-2	Taxable	31,225,000	3.750	9/1/2022
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	1,472,000	3.070	12/15/2021
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	1,519,000	3.070	12/15/2022
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	1,567,000	3.070	12/15/2023
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	7,579,000	3.070	12/15/2024
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	2,355,000	3.070	12/15/2025
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	13,065,000	3.070	12/15/2026
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	18,856,000	3.070	12/15/2027
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	10,946,000	3.070	12/15/2028
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	10,304,000	3.070	12/15/2029
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	25,544,000	3.070	12/15/2030
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	8,344,000	3.070	12/15/2031
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	5,793,000	2.765	9/1/2021
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	3,742,000	2.765	9/1/2022
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	8,360,000	2.765	9/1/2023
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	351,000	2.765	9/1/2024
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	361,000	2.765	9/1/2025
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	9,528,000	2.765	9/1/2026
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	9,795,000	2.765	9/1/2027
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	435,000	3.470	12/15/2021
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	451,000	3.470	12/15/2022
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	467,000	3.470	12/15/2023
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	483,000	3.470	12/15/2024
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	500,000	3.470	12/15/2025
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	518,000	3.470	12/15/2026
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	536,000	3.470	12/15/2027
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	555,000	3.470	12/15/2028
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	575,000	3.470	12/15/2029
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	595,000	3.470	12/15/2030
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	27,695,000	3.470	12/15/2031
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	21,782,000	3.470	12/15/2032
Bank of America, N.A.	2020 Series OOO	Tax Exempt	26,010,000	3.870	6/15/2022
Bank of America, N.A.	2020 Series OOO	Tax Exempt	94,060,000	4.090	6/15/2023
Bank of America, N.A.	2020 Series OOO	Tax Exempt	99,245,000	4.240	6/15/2024
Bank of America, N.A.	2020 Series OOO	Tax Exempt	79,935,000	4.390	6/15/2025
Bank of America, N.A.	2020 Series PPP	Taxable	25,915,000	4.380	6/15/2022
Bank of America, N.A.	2020 Series PPP	Taxable	93,735,000	4.600	6/15/2023
Bank of America, N.A.	2020 Series PPP	Taxable	98,900,000	4.750	6/15/2024
Bank of America, N.A.	2020 Series PPP	Taxable	79,655,000	4.900	6/15/2025
		Total	**$1,430,863,000**		

Lender	Series	Tax Status	Amount Outstanding ($) as of 6/30/21	Fixed Interest Rate*	Maturity Date
NJEDA Municipal Rehabilitation Bonds					
Barclays Capital Inc.	2019 Series A	Tax Exempt	10,545,000	5.250	4/1/2025
Barclays Capital Inc.	2019 Series A	Tax Exempt	10,430,000	5.250	4/1/2026
Barclays Capital Inc.	2019 Series A	Tax Exempt	9,320,000	5.250	4/1/2027
Barclays Capital Inc.	2019 Series A	Tax Exempt	13,435,000	5.250	4/1/2028
Barclays Capital Inc.	2019 Series B	Taxable	1,790,000	4.580	4/1/2026
Barclays Capital Inc.	2019 Series B	Taxable	3,500,000	4.580	4/1/2027
		Total	**$ 49,020,000**		
NJEDA Higher Education Capital Improvement Fund Bonds					
DNT Asset Trust	Series 2016 A	Tax Exempt	41,520,000	2.930	9/1/2021
DNT Asset Trust	Series 2016 A	Tax Exempt	41,240,000	3.130	9/1/2022
DNT Asset Trust	Series 2016 A	Tax Exempt	4,650,000	3.300	9/1/2023
DNT Asset Trust	Series 2016 A	Tax Exempt	4,120,000	3.440	9/1/2024
		Total	**$ 91,530,000**		
		Grand Total	**$1,571,413,000**		

* Interest rate subject to adjustment upon a downgrade in the State's credit rating.

Swap Agreements

The various independent State authorities authorized to issue State Appropriation Obligations in certain cases are also authorized to enter into interest rate exchange agreements ("Swap Agreements"). As of June 30, 2021, the notional amount of Swap Agreements supported by State appropriations is zero.

MORAL OBLIGATIONS

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 obligations outstanding as of June 30, 2021 and debt service for Fiscal Year 2022.

	Principal Amount Outstanding	Fiscal Year 2022 Debt Service
South Jersey Port Corporation	$ 192,145,000	$ 21,999,058
South Jersey Port Corporation Subordinated	255,000,000	12,750,000
Higher Education Student Assistance Authority	1,484,090,000	166,994,279
	$1,931,235,000	$201,743,337

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 and subordinated debt service reserve fund for the past five fiscal years. The State expects the Port Corporation to request that the State replenish the debt service reserve funds of the Port Corporation in Fiscal Year 2021.

Fiscal Year	Amounts Paid for Debt Service	Amounts Paid for Debt Service (Subordinated)
2017	$18,750,000	–
2018	17,650,000	–
2019	17,650,000	–
2020	17,000,000	$11,375,275
2021	17,873,000	11,291,000

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.

OTHER OBLIGATIONS

The following Other Obligations are not considered State Appropriation Obligations and are therefore not included in the amounts shown in the tables entitled “SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2021” and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2021”.

New Jersey Transportation Trust Fund Authority – “GARVEES”

On November 2, 2016, the TTFA issued $3.241 billion of Federal Highway Reimbursement Revenue Notes (“GARVEE Notes”) which consisted of $2.741 billion of publicly offered 2016 Series A GARVEE Notes and $500 million of 2016 Series B GARVEE Notes, which are bank loan notes, purchased by Bank of America, N.A. Both Series of Notes are secured solely by reimbursements received by or on behalf of the NJDOT pursuant to Title 23 of the United States Code from the Federal Highway Administration. On July 25, 2018, $1.2 billion of 2018 Series A GARVEE Refunding Notes were issued to refund a portion of the 2016 Series A GARVEE Notes. As of June 30, 2021, the aggregate amounts of GARVEE Notes and Refunding Notes outstanding are $1,503,435,000 and $1,065,585,000, respectively**.**

Qualified Bonds

L. 1976, *c.* 38, as amended by *L.* 2015, *c.* 95, and *L.* 1976, *c.* 39 (the “Acts”) provide for the issuance of “Qualified Bonds” by municipalities and school districts. Whenever a local board of education or the governing body of a municipality determines to issue bonds, it may file an application with the Local Finance Board, and, in the case of a local board of education, also with the Commissioner of Education, to qualify bonds pursuant to the Acts. Upon approval of such application, the State Treasurer shall withhold from certain State appropriations of revenues or other State aid payable to the municipalities or appropriations of State school aid payable to the school district, as appropriate, an amount sufficient to pay debt service on such bonds. Additionally, with respect to Qualified Bonds issued by municipalities, a statutory lien and trust, superior to all other liens, automatically attaches to such appropriations, in favor of the holders of Qualified Bonds, for the sole purpose of paying debt service on the Qualified Bonds. These Qualified Bonds are not direct, guaranteed or moral obligations of the State, and debt service on such bonds will be paid by the State only to the extent that the State aid or State school aid has been appropriated by the State Legislature. As of June 30, 2021, the aggregate amounts of municipal and school district Qualified Bonds outstanding are $1,190,527,535 and $30,265,000, respectively.

Tobacco Settlement Asset-Backed Bonds

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 April 2018, the Corporation refunded all of its outstanding Tobacco Settlement Asset-Backed Bonds, Series 2007-1 with the proceeds of its Tobacco Settlement Bonds, Series 2018A (Senior) & 2018B (Subordinate). As of June 30, 2021, the Corporation has $2,814,475,000 in outstanding bonds secured by TSRs.

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 55,689 full-time Executive Branch employees are paid through the State payroll system. Of the 55,689 employees, approximately 51,705 are represented by certified or recognized exclusive majority representatives and are organized into various negotiation units. There are twelve plus civilian units, ten of which presently represent approximately 51,705 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 6,016 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 5,467 employees, 6,982 employees, 15,369 employees and 2,366 employees, respectively, for a total of 30,184 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 4,292 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 404 employees (represented by IBEW Local 33) and 742 employees (represented by IBEW Local 30), respectively. There are approximately 10,066 employees represented by twelve 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. 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 10,066 State employees come under the binding interest arbitration process. Of the 10,066, approximately 2,887 are in the State Police.

Contract Status

The State has entered into a four-year contract for Fiscal Years 2020-2023 with the IFPTE Local 195 and the Motor Vehicle Inspector Division of Local 32BJ SEIU, CTW, CLC. The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 2% in Fiscal Year 2022 (effective the first full pay period after July 1, 2021) and 2% in Fiscal Year 2022 (effective the first full pay period after April 1, 2022). In addition to these 2% increases, any full-time employee on the active payroll with an annual base salary under $41,400 shall receive a cash bonus, not included in base salary, equal to the difference between the across the board increase on an annual salary of $41,400 and the across the board increase of that employee's base salary. The cash bonus is paid in each year of the contract as long as the employee meets the eligibility requirements. Employees at step 10 who meet the eligibility requirements under the contract will receive a bonus of at least $750 in Fiscal Year 2022 and a $750 bonus payment in Fiscal Year 2023, which is not to be included in such employees' base salary. Eligible employees will receive their normal increments within the policies of the State compensation plan. Any employee making less than $75,000 is eligible to receive a clothing allowance (subject to certain criteria). The annual clothing allowance payment is $550. In June 2020, the parties entered into a memorandum of agreement to defer the 2% increase and the under $41,400 cash bonus payment due in Fiscal Year 2021 to the first full pay period after December 1, 2021 and the 2% increase and under $41,400 cash bonus due in Fiscal Year 2022 (April 2022 and June 2022 (for 10 month employees)) to the first full pay period after July 1, 2022. Additionally, the parties agreed that employees will take a certain amount of furlough days and to a no-layoff agreement through December 31, 2021.

The State has entered into a four-year contract for Fiscal Years 2020-2023 with the CWA representing four (4) units. The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 2% in Fiscal Year 2022 (effective the first full pay period after July 1, 2021) and 2.0% in Fiscal Year 2022 (effective the first full pay period after April 1, 2022). Employees at step 10 who meet the eligibility requirements under the contract will receive at least a $750 bonus payment in Fiscal Year 2022 and a $750 bonus payment in Fiscal Year 2023 which is not to be included in such employees' base salary. Eligible employees will receive their normal increments within the policies of the State compensation plan. Any employee making less than $100,000 is eligible to receive a clothing allowance (subject to certain criteria). The annual clothing allowance payment is $550. In June 2020, the parties entered into a memorandum of agreement to defer the 2% increase effective in Fiscal Year 2021 to the first full pay period after December 1, 2021 and the 2% increase due in Fiscal Year 2022 (April 2022 and June 2022 (for 10 month employees)) to the first full pay period after July 1, 2022. Additionally, the parties agreed that employees will take a certain amount of furlough days and to a no-layoff agreement through December 31, 2021.

The State has entered into a four-year contract for Fiscal Years 2020-2023 with AFSCME New Jersey Council 63. The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 2% in Fiscal Year 2022 (effective the first full pay period after July 1, 2021) and 2.0% in Fiscal Year 2022 (effective the first full pay period after April 1, 2022). Any full-time employee on the active payroll with an annual base salary under $39,900 shall receive a cash bonus, not included in base salary, equal to the difference between the across the board increase on an annual salary of $39,900 and the across the board increase of that employee's base salary. The cash bonus is paid in each year of the contract as long as the employee meets the eligibility requirements. Employees at step 10 who meet the eligibility requirements under the contract will receive a bonus of at least $750 in Fiscal Year 2022 and a $750 bonus payment in Fiscal Year 2023, which is not to be included in such employees' base salary. Eligible employees will receive their normal increments within the policies of the State compensation plan. Any employee making less than $75,000 is eligible to receive a clothing allowance (subject to certain criteria). The annual clothing allowance payment is $550. In June 2021, the parties entered into a memorandum of agreement to defer the 2% increase and the employees making under $39,900 cash bonus payment due in Fiscal Year 2021 to the first full pay period after December 1, 2021 and the 2% increase and the employees making under $39,900 cash bonus due in Fiscal Year 2022 (April 2022 and June 2022 (for 10 month employees)) to the first full pay period after July 1, 2022. Additionally, the parties agreed to a no-layoff agreement through December 31, 2021.

The State has entered into a four-year contract for Fiscal Years 2020-2023 with the IBEW, Local 33, Deputy Attorneys General (DAsG) unit. The contract provides for an upward adjustment of the salary schedules, with DAsG placed on the appropriate step prior to the across the board increases. The contract provides for across the board salary increases of 8% as follows: 2% in Fiscal Year 2020 (effective February 1, 2020), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2022 and 2% effective the first full pay period after January 1, 2022). The contract provides for a salary cap of $145,000. In January 2021, the parties entered into a memorandum of agreement to defer the 2% increase effective in Fiscal Year 2021 to the first full pay period after December 1, 2021 and the 2% increase due in Fiscal Year 2022 (first full pay period after January 1, 2022) to the first full pay period after May 1, 2022. Additionally, the parties agreed that employees will take a certain amount of furlough days and to a no-layoff agreement through December 31, 2021.

The State has entered into a four-year contract for Fiscal Years 2020-2023 with the IBEW, Local 30, State Government Managers' Unit (SGM Unit). The contract provides for an upward adjustment of the salary schedules, with unit members placed on the appropriate step prior to the FY 2021 across the board increases. The contract provides for across the board salary increases of 8% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after April 1, 2022). The contract provides for a salary cap of $150,000. In June 2021, the parties entered into a memorandum of agreement to defer the 2% increase effective in Fiscal Year 2021 (July 2020) to the first full pay period after September 1, 2021, the 2% increase due in Fiscal Year 2022 (July 2021) to the first full pay period after January 1, 2022 and the 2% increase effective Fiscal Year 2022 (April 2022) to the first full pay period after July 1, 2022. Additionally, the parties agreed to a no-layoff agreement through December 31, 2021.

The State entered into a four-year contract for Fiscal Years 2020-2023 with the Policemen's Benevolent Association Local 105 ("PBA 105"). The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021), and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). Eligible employees will receive their normal increments within the policies of the State compensation plan. Eligible employees may receive a uniform allowance (subject to certain criteria). The annual uniform allowance is paid in July and January of each Fiscal Year. For Correctional Police Officers, the uniform allowance amount is $1,100 (except for the July 2019 payment, which is $917.50). Parole Officers became eligible to receive a uniform allowance in July 2021 (subject to certain criteria). For Parole Officers, the uniform allowance amount is $850 in July 2021 and January 2022, and $920 in July 2022 and January 2023.

The State entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Investigators Association, State Fraternal Order of Police Lodge 174 ("NJIA" or "FOP Lodge 174"). The contract expired and negotiations have commenced for a successor agreement.

The State entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Policemen's Benevolent Association State Law Enforcement Unit ("SLEU). The contract has expired and negotiations are ongoing for a successor agreement.

The State entered into a four-year contract for Fiscal Years 2020-2023 with the New Jersey Law Enforcement Supervisors Association ("NJLESA"). The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021), and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). Eligible employees will receive their normal increments within the policies of the State compensation plan. Eligible employees may receive a uniform maintenance allowance (subject to certain criteria). Non-Corrections Sergeants shall receive the allowance as follows: January 2020, $1535.00; January 2021, $1535; January 2022, $1700.00 and January 2023, $1840.00. Correction Sergeants allowance is paid in July and January of each Fiscal Year of this contract. The allowance amount is $1,100 (except for the July 2019 payment, which is $917.50).

The State entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Superior Officers Law Enforcement Association ("NJSOLEA"). The contract has expired and negotiations have commenced for a successor agreement.

The State entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Law Enforcement Commanding Officers Association ("NJLECOA"). The contract has expired and negotiations have commenced for a successor agreement.

In October 2014, the State proceeded to Interest Arbitration with FOP Lodge 91, the State Investigators Unit, rank and file State Investigators and Detectives, and eventually entered into a five-year contract for Fiscal Years 2015-2019. The contract has expired and negotiations have commenced for a successor agreement.

The State entered into a five-year contract for Fiscal Years 2015-2019 with the Division of Criminal Justice Non-Commissioned Officers Association, Sergeant, State Investigator Unit, Department of Law and Public Safety. The contract has expired and negotiations have commenced for a successor agreement.

The State entered into a five-year contract for Fiscal Years 2015-2019 with the Division of Criminal Justice Superior Officers Association, Lieutenant, State Investigator Unit, Department of Law and Public Safety. The contract has expired and negotiations have commenced for a successor agreement.

The State entered into a four-year contract for Fiscal Years 2018-2021 with the State Troopers Non-Commissioned Officers Association ("STNCOA-Sergeants"). The contract has expired and negotiations have commenced for a successor agreement.

The State entered into a four-year contract for Fiscal Years 2018-2021 with the State Troopers Superior Officer Association ("STSOA-Lieutenants and Captains"). The contract has expired and negotiations have commenced for a successor agreement.

The State has entered into a four-year contract for Fiscal Year 2020-2023 with the State Troopers Fraternal Associations ("STFA-Troopers") The contract provides for across the board salary increases of 8% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after April 1, 2022). Maintenance allowance increased in each year of the contract: $14,942.01 in Fiscal Year 2020, $16,240.85 in Fiscal Year 2021, $17,661.98 in Fiscal Year 2022 and $18,411.98 in Fiscal Year 2023.

STATE FUNDING OF PENSION PLANS

Background

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. The Pension Plans will fund those retirement benefits from their assets, earnings on their assets, contributions by the State and contributions from Pension Plan members. Local governments within the State participate as employers sponsoring two of the Pension Plans. 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. The following description of the State's funding of the Pension Plans solely relates to the State's portion of the Pension Plans. The State makes contributions to the Pension Plans under the State statutes and such contributions are subject to the appropriation of the State Legislature and actions by the Governor.

Financial Condition of the Pension Plans

As a result of lower-than-recommended contributions by the State to the Pension Plans for an extended period, lower than assumed investment returns on an actuarial basis, benefit enhancements enacted during the late 1990s and early 2000s, and reductions in member contributions, the Pension Plans' aggregate funded ratio (which compares the value of Pension Plan assets to the present value of future benefit payments) deteriorated and, as of June 30, 2016, before giving effect to the State's contribution of its Lottery Enterprise and other actions, was 44.7%. Since 2016, the State has taken the following steps to strengthen the financial condition of the Pension Plans (among other actions taken by the State):

- The State followed a funding policy for the Pension Plans since 2016 that increased its contribution to the Pension Plans by 10% of the actuarially recommended contribution each Fiscal Year until the State contributed 100% of the actuarially recommended contribution, which originally was expected to occur in Fiscal Year 2023;

- The State Legislature adopted the Pension Contribution Act in 2016, under which the State is required to make its contributions to the Pension Plans quarterly instead, as the practice had been in the past, at the end of a Fiscal Year; and

- Under the LECA, the State contributed its Lottery Enterprise (which is defined and explained below) to the Pension Plans as of June 30, 2017.

During the Fiscal Year ended June 30, 2021 and during the current Fiscal Year:

- The Pension Plans experienced an unaudited investment rate of return of 28.63% for Fiscal Year 2021; and

- The State's Fiscal Year 2022 Appropriations Act has appropriated a contribution of 107.91% of the actuarially recommended contribution, which under the State's funding policy, achieving 100% funding of the actuarially recommended contribution one (1) Fiscal Year earlier than planned. Other than net proceeds received from the Lottery Enterprise, the State fully funded its contribution to the Pension Plans for Fiscal Year 2022 on July 1, 2021.

While these developments positively impacted the financial condition of the Pension Plans, the State does not expect that the Pension Plans will experience a significant increase in the aggregate statutory funded ratio as of June 30, 2021.

As is shown below, the State expects that, assuming that it will make 100% of the actuarially recommended contribution in each future Fiscal Year, its annual contribution to the Pension Plans will remain relatively steady at around $5.4 billion in each Fiscal Year. That level of annual contribution, however, assumes that the other assumptions of the Pension Plans are realized and that projected net proceeds from the Lottery Enterprise are realized as estimated. Based on these assumptions, the State expects that its annual contribution (not including the net proceeds of the Lottery Enterprise) will be around $5.4 billion in each Fiscal Year and the Unfunded Actuarial Accrued Liability ("UAAL") will decline until Fiscal Year 2047 in which the State expects to fully retire the UAAL. See "—Prospective Financial Information of Pension Plans" and "—Actuarial Valuations and Actuarial Funded Status of Pension Plans" below.

Prospective Financial Information of Pension Plans

The following sets forth a projection of the financial condition of the Pension Plans, contributions from the State, contributions from members of the Pension Plans, and other related information. The following information constitutes forward-looking information and does not represent a prediction of actual results. It is based on numerous assumptions and methodologies and actual results will likely differ. Investors should read carefully all of the footnotes to the following table and the related cross-references to understand the assumptions and methodologies upon which the following information is based.

AGGREGATE PROJECTED ANNUAL CASH FLOWS AND NET VALUE OF ASSETS OF STATE'S PORTION OF PENSION PLANS Fiscal Year Ending June 30, 2022 through June 30, 2051 (In Millions)

Fiscal Year Ending (June 30)	Beginning Value of Net Assets[(1)]	Member Contributions[(2)]	State Contributions[(3)(4)]	Lottery Net Proceeds[(5)]	Investment Earnings[(6)]	Benefit Payments[(7)]	Ending Value of Net Assets
2022	$38,074	$1,311	$5,491	$1,099	$2,877	$7,431	$41,421
2023	41,421	1,331	5,434	1,112	2,862	7,624	44,536
2024	44,536	1,351	5,420	1,125	3,074	7,812	47,694
2025	47,694	1,371	5,416	1,139	3,290	7,997	50,913
2026	50,913	1,391	5,415	1,153	3,510	8,181	54,201
2027	54,201	1,419	5,417	1,167	3,735	8,377	57,562
2028	57,562	1,453	5,404	1,180	3,965	8,573	60,991
2029	60,991	1,488	5,392	1,190	4,199	8,769	64,491
2030	64,491	1,525	5,381	1,202	4,439	8,969	68,069
2031	68,069	1,561	5,367	1,214	4,683	9,179	71,715
2032	71,715	1,599	5,366	1,226	4,933	9,389	75,450
2033	75,450	1,637	5,362	1,238	5,189	9,594	79,282
2034	79,282	1,677	5,356	1,251	5,452	9,803	83,215
2035	83,215	1,718	5,346	1,264	5,721	10,009	87,255
2036	87,255	1,761	5,338	1,276	5,999	10,198	91,431
2037	91,431	1,806	5,333	1,289	6,287	10,383	95,763
2038	95,763	1,853	5,328	1,302	6,586	10,557	100,275
2039	100,275	1,902	5,326	1,315	6,899	10,717	105,000
2040	105,000	1,955	5,327	1,329	7,227	10,863	109,975
2041	109,975	2,010	5,333	1,342	7,573	10,987	115,246
2042	115,246	2,067	5,346	1,356	7,941	11,103	120,853
2043	120,853	2,125	5,362	1,369	8,332	11,221	126,820
2044	126,820	2,184	5,380	1,383	8,749	11,346	133,170
2045	133,170	2,246	5,400	1,397	9,192	11,475	139,930
2046	139,930	2,309	5,421	1,411	9,664	11,590	147,145
2047	147,145	2,374	5,450	1,425	10,168	11,720	154,842
2048	154,842	2,441	6,348	0	10,679	11,866	162,444
2049	162,444	2,510	4,888	0	11,170	12,023	168,989
2050	168,989	2,581	1,854	0	11,547	12,187	172,784
2051	172,784	2,654	1,483	0	11,800	12,332	176,389

(1) Beginning value of net assets represents the projected value of the State's portion of Pension Plan net assets at the beginning of each Fiscal Year. Net assets equal the full market value of assets at the beginning of the Fiscal Year *less* member and employer contribution receivables included in the full market value of assets. The beginning value of net assets for Fiscal Year 2022 reflects an unaudited rate of return for Fiscal Year 2021 for the Pension Plans of 28.63%. It also includes unaudited Lottery Net Proceeds of $1.108 billion for Fiscal Year 2021. The net value of assets for future Fiscal Years assume that the other contributions are made, investment returns are earned, and benefits are paid as shown above.

(2) Represents contributions from members of the State's portion of the Pension Plans at current statutory contribution rates. Under the State statute, State employees make contributions to the Pension Plans ranging from 7.5% to 12% of their salary. The level of these contributions in the future could be changed through subsequent legislation.

(3) Represents projected contributions by the State. For Fiscal Year 2022, the projected contribution reflects the State's contribution set forth in the State's Fiscal Year 2022 Appropriations Act of 107.91% of the actuarially recommended contribution. Other than net proceeds received from the Lottery Enterprise, the State fully funded in contribution to the Pension Plans for Fiscal Year 2022 on July 1, 2021. For future Fiscal Years, the State assumes that its pension contributions will equal 100% of the actuarially recommended contribution. The projected State contribution amounts reflect the annual credit against the actuarially recommended contribution pursuant to LECA. Actual contributions are subject to appropriation by the State Legislature and have varied substantially over the last several years. See "—State's Financial Responsibility and Contributions to the Pension Plans" below.

(footnotes continue on next page)

(4) Does not include contributions that the State makes in respect to local governmental participation in the Pension Plans. In connection with increases in retirement benefits in the local governmental portion of the Pension Plans, the State has undertaken to make contributions to pay for a portion of the impact of those retirement benefits. In Fiscal Year 2022, the State expects that this amount is equal to $306.1 million.

(5) Lottery Net Proceeds represent projected net proceeds from the Lottery Enterprise. See "—Lottery Enterprise Contribution Act" below. These projections were prepared in 2017 prior to the enactment of LECA by the Lottery Division. Through 2029, these projections are consistent with the Division's management services agreement for sales and marketing with Northstar NJ and have not been updated since then. Prior to the enactment of the LECA, the projections were vetted by Bank of America Merrill Lynch, the State's Advisor for the lottery transaction, and Acacia Financial Group, an independent third party valuation service provider. Although these projections have not been updated, the State believes the projected Lottery Net Proceeds estimates are still reasonable. Pursuant to LECA, the State is required to revalue the Lottery Enterprise every five years. The revaluation process has commenced and is expected to be completed by December 31, 2021.

(6) The projection of investment earnings is based on the ultimate assumed rate of return of assets of the State's portion of the Pension Plans, which is 7.0%. For valuation of the liabilities, the State lowered the assumed rate of return from 7.5% to 7.3% beginning with the July 1, 2019 actuarial valuation. Effective with the July 1, 2021 actuarial valuation, the State plans to lower the assumed rate of return from 7.3% to 7.0%. See "—Actuarial Valuations and Actuarial Funded Status of Pension Plans—Assumptions used in Actuarial Valuations" below.

(7) Benefit payments represent projected retirement benefit payments by the State's portion of the Pension Plans to current and future retired members over the forecasted period. The amounts of projected retirement benefits are based on the various applicable benefit formulas as well as numerous assumptions and methodologies made by the actuaries of the Pension Plans. Key assumptions include, among others, demographic assumptions relating to periods of employment, ages of retirement and life expectancy of members and economic assumptions such as salary growth and inflation. In addition, these projections use methodologies to calculate projected retirement benefits. As opposed to how the actuaries prepare the actuarial valuations, the projected benefit payments also include an estimate of the amount of retirement benefits that members are likely to earn in the future. In addition, the projected benefit payments assume that the State does not increase or enhance retirement benefits during the forecasted period. Under pension reforms, the State has created committees that are authorized to make some specified increases in retirement benefits for Pension Plans that achieve specified levels of funding status. The projected benefit payments assume that none of those retirement benefits are increased although the State, based on the assumptions of the projections above, expects that several of the Pension Plans will achieve the specified levels of funding status. With respect to PFRS, the projection also assumes that the PFRSNJ Board that was established pursuant to *L.* 2018, *c.* 55, will not increase or enhance benefits during the forecasted period. See "—Actuarial Valuations and Actuarial Funded Status of Pension Plans—Assumptions used in Actuarial Valuations" and "—Methodologies used in Actuarial Valuations" below.

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State's Pension Plan Funding Policy

Historical Funding Policy

The level of the State's annual contributions has significantly varied since the 1990's. In some years, the State's contributions to the Pension Plans have been minimal or none. In other years, the State has contributed a percentage of the actuarially recommended contribution. For a description of the calculation of actuarially recommended contributions, see "—Actuarial Valuations and Actuarial Funded Status of Pension Plans" below. The following sets forth the State's aggregate annual contributions to the Pension Plans for Fiscal Years ended June 30, 1997 through June 30, 2022, together with a comparison of those contributions to the actuarially recommended contributions:

AGGREGATE STATE CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Years Ending June 30, 1997 through June 30, 2022[1]
(In Millions)

Fiscal Year Ending June 30,	Actuarial Recommended Contributions	Actual Contributions	Percentage[2]
State			
1997[3]	$ 297.6	$ 104.6	35%
1998	443.9	90.2	20
1999	511.4	284.2	56
2000	583.4	63.7	11
2001	629.6	0.0	0
2002	654.8	0.6	0
2003	663.0	10.4	2
2004	783.2	26.4	3
2005	1,066.2	61.1	6
2006	1,450.8	164.4	11
2007	1,778.6	1,023.2	58
2008	2,089.8	1,046.1	50
2009	2,230.7	106.3	5
2010	2,518.8	0.0	0
2011	3,060.5	0.0	0
2012	3,391.4	484.5	14
2013	3,600.2	1,029.3	29
2014	3,691.2	699.4	19
2015	3,935.4	892.6	23
2016	4,353.5	1,307.1	30
2017	4,663.1	1,861.6	40
2018[4]	5,017.9	2,484.1	50[5]
2019	5,352.2	3,280.9	60[6]
2020	5,438.7	3,751.6	70[7]
2021[8]	6,109.7	4,787.4	78
2022[9]	6,387.8	6,892.8	108

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, 1995 through July 1, 2020. Information regarding the actual contributions of the State for Fiscal Years 1997 through 2022 was provided by the Division of Pensions and Benefits. Actual contributions include Lottery Net Proceeds from the Lottery Enterprise beginning in Fiscal Year 2018. See "–Lottery Enterprise Contribution Act" below.

(1) For all pension plans, the State 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's actuarial recommended contribution for Fiscal Year 2022 was determined in the actuarial valuation as of July 1, 2020.

(2) Percentage of actual contributions by the State to the Pension Plans to the actuarially recommended contribution for the applicable Fiscal Year. Percentages may not be exact due to rounding.

(footnotes continue on next page)

(3) As a result of the enactment of *L.* 1997, *c.* 114, the Pension Plans received a contribution of $2.75 billion from the sale of pension obligation bonds by NJEDA, which, pursuant to statute, was applied toward the State's share of the unfunded pension liabilities.

(4) The actual contribution consists of the State's contribution of $1.508 billion and Lottery Net Proceeds of $976 million.

(5) The State planned to make a $2.509 billion pension contribution for Fiscal Year 2018 representing 50% of the full actuarial recommended contribution of $5.018 billion. The State made a $1.508 billion general fund appropriation and $1.001 billion of Lottery Net Proceeds were expected to be transferred to the eligible Pension Plans. While actual lottery proceeds matched targeted levels, a small percentage of the actual Lottery Net Proceeds in Fiscal Year 2018 pertained to prior year unclaimed prizes. Since these proceeds were earned prior to the enactment of LECA, the State determined that the eligible Pension Plans were not entitled to such proceeds, which lowered the actual Lottery Net Proceeds realized to $976 million. As a result of this technical adjustment, the State's total contribution to the Pension Plans for Fiscal Year 2018 was slightly less than the 50% planned contribution.

(6) For purposes of calculating the percentage of the State's contribution relative to the actuarially recommended contribution, the State adds the sum of the State's contribution of $2.176 billion and the Lottery Net Proceeds of $1.105 billion. As a result of higher than expected Lottery Net Proceeds in Fiscal Year 2019, the overall funded percentage was slightly greater than 60%.

(7) For Fiscal Year 2020, Lottery Net Proceeds were $55 million lower than the Special Asset Adjustment amount set in LECA for Fiscal Year 2020 due to the COVID-19 Pandemic. As a result, the overall funded percentage was slightly lower than 70%.

(8) For Fiscal Year 2021, the State expects the overall funded percentage to be slightly above 78%.

(9) For Fiscal Year 2022, the State made a contribution of $5.797 billion and expects Lottery Net Proceeds of $1.096 billion. The State expects that the overall percentage of the actuarially recommended contribution will be 107.91%.

Fiscal Year 2022 Contribution and Prospective Funding Policy

Since the adoption of LECA, the State calculates its contribution under this funding policy by reducing the amount of the State's contribution by the Special Asset Adjustment (which is defined and explained below under "–Lottery Enterprise Contribution Act"). For Fiscal Year 2022, the State made a full contribution to the Pension Plans of $5,292.0 million. This contribution was calculated by reducing the actuarially recommended contribution of $6,388.0 million by the Special Asset Adjustment of $1,096.0 million, as defined herein. While the State's contribution is reduced by the Special Asset Adjustment, from a pension funding perspective, that reduction is expected to be offset by the net proceeds of the Lottery Enterprise. The State also made an additional contribution of $505 million to the Pension Plans contributing a total of $5,797.0 million. The combined contribution in Fiscal Year 2022 from the State, along with the Lottery Net Proceeds, will total $6,893.0 million. For a more detailed discussion, see "—Lottery Enterprise Contribution Act" below. Under the State's current Pension Plan funding policy, a similar calculation will be made in each future Fiscal Year. Since the actual level of contributions by the State to the Pension Plans is subject to appropriation by the State Legislature, the actual level of contribution is subject to change each Fiscal Year depending on appropriations by the State Legislature, changes to State statutes by the State Legislature, and actions by the Governor.

While the State's Pension Plan funding policy is dependent on the amounts appropriated in the State's Annual Appropriation Act and actions taken by the Governor, the State's current funding policy is to contribute 100% of the actuarially recommended contribution in future Fiscal Years.

Membership, Benefits and Governance of the Pension Plans

Membership of 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, 2020, the Pension Plans and their active and retired membership are as follows:

Plan	Membership at June 30, 2020 Active	Retired
Public Employees' Retirement System ("PERS")	246,776	183,652
Teachers' Pension and Annuity Fund ("TPAF")	156,402	108,297
Police and Firemen's Retirement System ("PFRS")	42,342	46,638
State Police Retirement System ("SPRS")	2,819	3,479
Judicial Retirement System ("JRS")	415	646
Consolidated Police and Firemen's Pension Fund ("CP&FPF")	0	43
Prison Officers' Pension Fund ("POPF")	0	57
Total	448,754	342,812

From June 30, 2015 to June 30, 2020, the total number of active members of all of the State-administered plans decreased by 7,208 or 1.6%, and the total number of retired members increased by 30,406 or 9.7%.

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, 2021, those members of the PERS and PFRS for which the State is responsible for making contributions were, with respect to PERS, 77,105 active members and 60,996 retired members and, with respect to PFRS, 7,114 active members and 6,950 retired members. In connection with increases in retirement benefits in the local governmental portion of the Pension Plans, the State has undertaken to make contributions to pay for a portion of the impact of those retirement benefits.

Benefits

Almost all State employees participate in one of the Pension Plans, with eight to ten years of employment required before retirement benefits become vested. The level of retirement benefits varies among the different Pension Plans and is calculated based on a member's years of service, compensation and age of retirement. 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. 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.

Governance

The Pension Plans were established by various State laws between January 1, 1941 and June 1, 1973. These Pension Plans are overseen and administered by the State of New Jersey, Division of Pensions of Benefits within the Department of the Treasury. Each Pension Plan has a board of trustees and related committees in which is vested the general responsibility for the proper operation of the Pension Plan. The Division of Pensions and Benefits is responsible for all administrative and financial functions of the Pension Plans except for the investment of the pension assets, which is the responsibility of the Division of Investment. The rules and regulations governing the operation and administration of the Pension Plans are set forth in State law and regulations.

With respect to PFRS, the State Legislature adopted *L.* 2018, *c.* 55 in July 2018, which transferred management of PFRS from the New Jersey Department of the Treasury, Division of Pensions and Benefits to a twelve-member PFRS Board of Trustees (the "PFRSNJ"). The PFRSNJ, which was established in February 2019 pursuant to the legislation, has more powers and authority as compared to the former PFRS Board of Trustees. In addition to overseeing the management of PFRS, the PFRSNJ Board will have certain investment authority, in addition to having the authority to adjust current benefit levels and to change member and employer contribution rates. With regard to changes to current benefit provisions, such changes can only be made with the approval of a supermajority of eight (8) of the twelve (12) members of the PFRSNJ Board. Also, benefit enhancements can only be made if an independent actuary certifies that the benefit enhancement will not jeopardize the long-term viability of PFRS. Under prior law, benefit enhancements, including the reinstatement of cost-of-living adjustments for retirees, could only be considered when the funded level of the pension fund reached 80%. An actuarial certification was also required that the funded levels would remain at or above 80% over a 30-year period following the benefit enhancement.

The PFRSNJ consists of twelve (12) members with seven (7) employee representatives (including three (3) active policemen, three (3) active firemen, and one (1) retiree), and five (5) employer representatives (four (4) municipal or county government officials and one current or former member of the Executive Branch).

Pension Plan Assets

As of June 30, 2020, the State's portion of the market value of assets in the Pension Plans is $35.3 billion, which amount does not include the value of the Lottery Contribution. See "—Lottery Enterprise Contribution Act" below. The Division of Investment of the New Jersey Department of the Treasury invests the cash and investments of the Pension Plans. State law and State Investment Council regulations regulate the types of investments which are permitted. The State Investment Council is responsible for formulating the policies that govern the methods, practices and procedures for investments, reinvestments, sale or exchange transactions to be followed by the Director of the Division of Investment. However, pursuant to L. 2018, c. 55, responsibility for formulating investment policies of the assets of the PFRS has been transferred from the State Investment Council to the PFRSNJ Board.

Lottery Enterprise Contribution Act

In accordance with the Lottery Enterprise Contribution Act, *L.* 2017*, c.* 98 ("LECA"), and a Memorandum of Lottery Contribution dated July 5, 2017 and effective as of June 30, 2017 (the "MOLC"), executed by the State Treasurer and acknowledged by the Director of the Division of Investment, New Jersey Department of the Treasury, the State's lottery and related assets, including intellectual property, (the "Lottery Enterprise") was contributed to TPAF, PERS, and PFRS for a 30-year term (the "Lottery Contribution"). Under LECA, the Department of the Treasury, Division of the State Lottery ("State Lottery Division") will continue to operate the Lottery Enterprise with a goal of maximizing net proceeds for the benefit of the applicable Pension Plans. Starting on October 1, 2013, Northstar New Jersey Lottery Group, LLC ("Northstar NJ") officially began a 15-year contract to provide growth management services to the State Lottery Division. The Northstar NJ contract, as amended, which will remain in effect through the end of Fiscal Year 2029, contains incentives for the vendor to maximize net proceeds while reducing downside risk through minimum payment requirements imposed on the vendor.

Neither LECA nor the MOLC contain a provision permitting the termination of the contribution prior to the end of the 30-year term of the contribution. However, a future Legislature could pass legislation to reverse the contribution prior to the expiration of its term. Any termination of the Lottery Contribution could implicate the exclusive benefit rule of the Internal Revenue Code, which requires the assets of the Pension Plans to exist for the exclusive benefit of their members in order for the Pension Plans to qualify for the favorable tax treatment under the Internal Revenue Code. Based on a 1996 settlement with the Internal Revenue Service, the State's Pension Plan statutes include the exclusive benefit provisions required by the Internal Revenue Code. The term of the contribution of the Lottery Enterprise will expire at the start of Fiscal Year 2048, and the Lottery Enterprise will revert back to the State at that time.

Lottery Enterprise – Valuation

For the purpose of determining a fair value of the contribution of the Lottery Enterprise, Acacia Financial Group was hired as an Independent Valuation Service Provider by the New Jersey Department of the Treasury. The Independent Valuation Service Provider applied The Actuarial Standard of Practice No. 44 of the Actuarial Standards Board (the "ASOP-44"). For Assets that are Difficult to Value, such as the Lottery Enterprise, ASOP-44 provides that, if audited financial statements do not provide an appropriate market value, and there are no recent sales of similar assets to provide a market value, the present value of reasonably expected future cash flows may be treated as market value under this standard. The Independent Valuation Service Provider determined the fair value by using the financial projections provided by Northstar NJ, for Fiscal Years 2018 through 2029. Estimates for Fiscal Years 2030 through 2048 assumed a 1.0 percent annual growth rate.

Using this valuation methodology, the contribution of the Lottery Enterprise is expected to generate an estimated $37 billion for the Pension Plans over 30-year term of the Lottery Contribution. The Independent Valuation Service Provider applied a 7.65% discount factor, which was the same as the assumed actuarial rate of return on the Pension Fund, and arrived at a fair market value for the Lottery Enterprise of $13.535 billion as of June 30, 2017. Pursuant to LECA, the Lottery Enterprise is to be re-valued at least every five years and, in the absence of a revaluation, the Lottery Enterprise will be depreciated on a straight-line basis over the remaining term of the contribution based on the most recent valuation. At the end of the 30-year term of the contribution, the value of the Lottery Enterprise will have been depreciated to zero with respect to the Pension Plans. The valuation report of the Independent Valuation Service Provider and other documents relating to the Lottery Enterprise are available at the following website: *http://www.state.nj.us/treasury/njletransparency.shtml.* No information on the website is incorporated by reference into this Appendix I.

Under the LECA, the State must re-value the Lottery Enterprise every five years. The first five year revaluation has commenced, with the State procuring Acacia Financial Group as the valuation service provider to effect this revaluation. The State expects the revaluation to be completed by December 31, 2021.

Allocation of Contribution amongst the Pension Plans

LECA defines which Pension Plans are eligible to receive a percentage of the contribution by virtue of their members' past or present employment in State schools and State institutions, in keeping with the Constitutional dedication of net lottery proceeds for those purposes. Pursuant to LECA, the applicable Pension Plans were allocated a percentage of the contributed Lottery Enterprise as follows: 77.78% to TPAF, 21.02% to eligible members of PERS, and 1.20% to eligible members of PFRS. Under LECA and the terms of the MOLC, these "Allocable Percentages" are not subject to adjustment during the term of the contribution of the Lottery Enterprise to the applicable Pension Plans.

Deposit of the Lottery Enterprise Contribution into Common Pension Fund L

For the purpose of depositing the Lottery Contribution made to the Eligible Pension Plans, LECA established Common Pension Fund L within the Division of Investment. During the term of the contribution, all new assets acquired by or for the Lottery Enterprise will be owned by Common Pension Fund L for the benefit of the applicable Pension Plans. Within Common Pension Fund L are two subaccounts, the "Operations Account" and the "Investment Account". Gross proceeds generated by the Lottery Enterprise are deposited into the Operations Account. The State Lottery Division is solely responsible for managing the Operations Account, including payment of costs incurred in the operation and administration of the Lottery Enterprise such as payment of prizes, reimbursement of funds used to pay expenses and payment for Lottery sales agent commissions, payment of certain prizes paid by Lottery sales agents and reserves for payment of prizes. Proceeds in amounts determined by the State Lottery Division are transferred to the Investment Account from the Operations Account on a periodic basis (no less than monthly). Such proceeds constitute the net proceeds of the Lottery Enterprise, and together with all investments thereof and investment earnings thereon are solely available to and for the benefit of the applicable Pension Plans. The Investment Account is managed and invested by the Director of the Division of Investment, subject to the oversight of the State Investment Council. The Director of the Division of Investment has full discretion to distribute proceeds and all investments thereof and investment earnings thereon from the Investment Account to satisfy retirement benefits of the applicable Pension Plans.

Pursuant to LECA, during the term of the Lottery Contribution, no less than 30 percent of the gross proceeds of the Lottery Enterprise shall be deposited to the Investment Account to be used by each applicable Pension Plan for payments of retirement benefits to eligible members or to be invested on behalf of the applicable Pension Plan by the Director of the Division of Investment.

Special Asset for Actuarial Calculation Purposes

During the term of the Lottery Contribution, the current methodology for amortizing the UAAL of the applicable Pension Plans and calculating the actuarially recommended contribution remains in place for all assets and liabilities of the applicable Pension Plans except for the Lottery Enterprise. In accordance with LECA, for actuarial purposes, the Lottery Enterprise is considered a "Special Asset", the value of which is reflected in an annual adjustment (the "Special Asset Adjustment") to the State's contribution to the applicable Pension Plan, calculated pursuant to LECA. Under LECA, the Special Asset Adjustment is fixed for the first five Fiscal Years as set forth in the chart below. Unlike the amount of the Special Asset Adjustment after the first five Fiscal Years, the Special Asset Adjustment in the first five Fiscal Years was not reduced so that it would minimize the impact of the Lottery Contribution on the State's General Fund budget during that period.

ANNUAL SPECIAL ASSET ADJUSTMENT
For the Fiscal Years Ending June 30, 2018 through June 30, 2022

Fiscal Year Ending (June 30)	Special Asset Adjustment
2018	$1,000,976,874
2019	1,037,148,584
2020	1,070,451,102
2021	1,084,354,841
2022	1,095,871,137

Starting in Fiscal Year 2023, the Special Asset Adjustment is determined by a level-dollar amortization of the then-current Lottery Enterprise value over the remaining term of the contribution at the regular interest rate applicable to the applicable Pension Plan, multiplied by a stated Adjustment Percentage. The Special Asset Adjustment will not exceed in any year the Maximum Special Asset Adjustment stipulated in the LECA. The purpose of the Adjustment Percentage is to create a lower Special Asset Adjustment, which will increase projected amounts to be contributed to the applicable Pension Plans, and to achieve higher projected funded ratios; provided the State follows its current Pension Plan funding policy. Additionally, LECA includes a mechanism to further reduce the Adjustment Percentage if an applicable Pension Plan's funded ratio drops below 50 percent. The Adjustment Percentage is unaffected by the performance of the Lottery Enterprise during the term of the Lottery Contribution. A future Legislature may change any or all of the provisions of the LECA for all, or some, of the term of the Lottery Contribution.

The Special Asset Adjustment starting in Fiscal Year 2023 will depend on the revaluation of the Lottery Enterprise. The State has procured a valuation service provider to effect this revaluation, which the State expects will be complete by December 31, 2021.

Impact of the Value of the Lottery Enterprise Contributed upon the Pension Plans' Funded Ratio

The contribution of the Lottery Enterprise is valued as of June 30, 2020 at $12.569 billion, based on a 30-year straight line amortization. If the contribution of the Lottery Enterprise were not taken into consideration in calculating the funded ratio of the Pension Plans, the funded ratio of the Pension Plans as of June 30, 2020 would have been 37.6% instead of 49.8%. Under the LECA, the State must re-value the Lottery Enterprise every five years, the first of which is expected to be completed by December 31, 2021. Upon the revaluation of the Lottery Enterprise, the State's funded ratio may change accordingly. Under See –Actuarial Valuations and Actuarial Funded Status of Pension Plans—Historical Statutory Funding Status" below.

Actuarial Valuations and Actuarial Funded Status of Pension Plans

General

State law requires that all Pension Plans must conduct an actuarial valuation as of the end of each fiscal year. The actuarial valuations of the Pension Plans have historically served a critical role in determining the appropriate contribution level of the State to the Pension Plans through their calculations of an actuarially recommended contribution (which is discussed in more detail below). In many years in which the State did not contribute the actuarially recommended contribution, it still sought to contribute a percentage of the actuarially recommended contribution. In addition, the State's current Pension funding policy provides for its contribution, when added to the Special Asset Adjustment from the Lottery Net Proceeds under LECA, to represent a percentage of the actuarially recommended contribution (100% proposed for Fiscal Year ending June 30, 2022). Informational copies of these reports as well as other financial information are available on the Division of Pensions and Benefits' website at:

https://www.nj.gov/treasury/pensions/financial-reports.shtml. No information contained on the website of the Division of Pensions and Benefits is incorporated herein by reference.

Ordinarily, the actuarial valuations of the Pension Plans are completed approximately six to eight 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 contributions in the actuarial valuations of the Pension Plans as of July 1, 2020 are applicable to the Fiscal Year ended June 30, 2022.

Actuaries and Auditor

Cheiron, Inc. serves as consulting actuary for all seven defined benefit pension plans. The consulting actuary prepares the actuarial valuations and experience investigations (which are described below) for the Pension Plans. KPMG LLP serves as the auditor of the financial statements of the Pension Plans.

Content and Timing of Actuarial Valuations

The purpose of an actuarial valuation is to calculate an actuarially recommended contribution by an independent actuary on the basis of an assessment by such actuary, using multiple assumptions and methodologies, whether the assets of a Pension Plan, together with expected earnings and other amounts, will be sufficient to pay expected retirement benefits. Two of the key calculations that the actuaries make in each actuarial valuation is a calculation of the actuarial accrued liability and the actuarial value of assets. 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 of assets represents the market value of the assets of the Pension Plan as adjusted for several methods discussed below. 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. A Funded Ratio of 100% represents an assessment by the actuary, based on the assumptions and methodologies of the actuarial valuation, that a Pension Plan has a sufficient amount of assets that, with future earnings on those assets and other amounts, will be sufficient to pay expected retirement benefits that have been earned to date.

Actuarially Recommended Contribution

Actuaries of the Pension Plans will also calculate an actuarially recommended contribution in each actuarial valuation. 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) in cases where the Funded Ratio is less than 100%, a portion of the UAAL. The actuarially recommended contribution is determined in accordance with State statutes and uses different assumptions and methodologies than used for purposes of meeting financial disclosure requirements. See "—GASB Statements No. 67 and 68" below.

Assumptions used in Actuarial Valuations

While actuarial valuations express the funding status of Pension Plans in terms of a value on a particular date, in substance they consist of projections of future retirement benefits and estimates of the amount of assets that will be available to pay those retirement benefits. To make these projections and estimates, actuaries use many assumptions, which include: expected rate of return on assets, inflation rates, future pay increases, age of retirement of members, assumed rates of disability and post-employment life expectancies 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.

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 TPAF covering the period from July 1, 2015 through June 30, 2018, the salary growth assumption and several of the demographic assumptions were changed, including the mortality rates. These assumption changes were reflected in the July 1, 2019 actuarial valuation and caused the overall UAAL to increase by $1.968 billion or 3.0% and the actuarially recommended contribution of TPAF to increase by $253.5 million or 7.8%. In PERS-State the actuarial assumption changes reflected in the 2019 actuarial valuation based on the July 1, 2014 through June 30, 2018 experience investigation increased the UAAL by $584 million or 2.3% and the actuarially recommended contribution by $70.6 million or 7.0%.

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. The unaudited, preliminary estimated year-to-date investment rate of return for Fiscal Year 2021 was 28.6%. The actual investment rate of return for Fiscal Years 2020 and 2019 was 1.21% and 6.27%, respectively. The rate of return on assets assumed by the actuary in the most recent June 30, 2020 valuations was 7.3%. The assumed rate of return for valuation purposes was lowered from 7.5% to 7.3% beginning with the July 1, 2019 actuarial valuation. The State plans a gradual reduction in the assumed rate of return to 7% in two steps from 7.5% to 7.3% effective with the June 30, 2019 actuarial valuation and from 7.3% to 7% effective with the June 30, 2021 actuarial valuation.

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, 2020, excluding the estimated value of the Lottery Contribution, the State's portion of the aggregate market value of all of the assets of the Pension Plans, as determined by the Pension Plans' actuaries, was approximately $35.3 billion. As of June 30, 2020, the State's portion of the aggregate actuarial value of all assets of the Pension Plans was $38.8 billion. Based on these figures, the Pension Plans have a net unsmoothed loss of approximately $3.5 billion, which is the difference, as of June 30, 2020, 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 (5)-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, 2020. While the unaudited investment rate of return of the Pension Plans for Fiscal Year 2021 was 28.63%, under this smoothing method, that unexpected gain resulting from a rate of return in excess of 7.3% (the assumed rate of return for the actuarial valuations as of June 30, 2021) will be smoothed per statutory requirements, which means that it will be realized in the actuarial value of assets over several years.

When the Funded Ratio is less than 100%, part of the purpose of the actuarial valuation is to develop a schedule for restoring the Pension Plan to a Funded Ratio of 100% (which is referred to as an amortization method). This requires the actuary to calculate that portion of the UAAL that the State needs to contribute in order to follow that schedule. The actuaries of the Pension Plans use different methods in developing that schedule. Except for the CP&FPF and the POPF, the Pension Plans use a 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. Pursuant to state pension statutes, the UAAL is being amortized over an open-ended 30-year period through the July 1, 2018 actuarial valuation for PERS, TPAF, SPRS and JRS, and through the July 1, 2017 actuarial valuation for PFRS. Beginning with the July 1, 2019 actuarial valuation for PERS, TPAF, SPRS and JRS, and the July 1, 2018 actuarial valuation for PFRS, 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 may reset to 20 years with each actuarial valuation if the unfunded actuarial accrued liability increases whereas, in a closed amortization period, the period is reduced with each actuarial valuation.

Historical Statutory Funding Status

The following table sets forth the historical statutory funding status of the Pension Plans from the Fiscal Year ended June 30, 2010 through the Fiscal Year ended June 30, 2020.

HISTORICAL STATUTORY FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS[(1)]
Actuarial Valuations as of July 1, 2010 through July 1, 2020
(In Millions)

Valuation Year Ending June 30,	Actuarial Value of Assets[(2)]	Actuarial Accrued Liability[(2)]	Unfunded Actuarial Accrued Liability (UAAL)[(2)]	Funded Ratio	Market Value of Assets [(3)]
2010[(4)]	$47,950.5	$72,588.5	$24,638.0	66.1%	$37,765.8
2011	46,736.7	75,622.0	28,885.3	61.8	40,795.3
2012	45,293.4	77,991.1	32,697.7	58.1	38,271.3
2013	44,494.5	80,051.0	35,556.5	55.6	39,486.0
2014	42,486.4	82,563.3	40,076.9	51.5	40,594.3
2015	41,397.4	85,212.0	43,814.6	48.6	38,505.9
2016[(5)]	39,731.6	88,800.3	49,068.7	44.7	34,698.9
2016 Rev[(6)]	52,304.8	88,800.3	36,495.5	58.9	47,272.1
2017	51,416.6	92,150.6	40,734.0	55.8	48,354.5
2018	51,018.0	93,807.5	42,789.5	54.4	48,762.3
2019[(7)]	51,090.4	100,789.0	49,698.6	50.7	48,743.9
2020	51,355.2	103,118.1	51,762.9	49.8	47,833.8

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2010 through July 1, 2020 for all the Pension Plans.

(1) The actuarial liabilities and assets shown in this chart are based on the actuarial methods and assumptions used to determine the statutory contributions and are different from the actuarial liabilities and assets based on GASB Statement No. 67.

(2) For a description of these terms, see "—Actuarial Valuations and Actuarial Funded Status of Pension Plans" 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 Investment. The market value of assets of each of the Pension Plans is as set forth in the actuarial valuation reports for the Pension Plans and represents the full market value of the assets held by the Pension Plan, including expected receivable contributions from the State, local employers and participants and the estimated value of the Lottery Contribution beginning with the July 1, 2016 valuation.

(4) The June 30, 2010 data reflects the impact on the Pension Plans of pension reforms enacted pursuant to *L.* 2011, *c.* 78, which resulted in a decrease in the State's aggregate unfunded actuarial accrued liability (UAAL) from $37.1 billion to $24.6 billion and an increase in the State's aggregate funded ratio from 56.4% to 66.1%.

(5) Information was derived from the original actuarial valuation reports as of July 1, 2016 and excludes the value of the Lottery Contribution.

(6) Information was modified to include $12.573 billion in the Actuarial Value of Assets and Market Value of Assets representing the estimated value of the Lottery Contribution as of July 1, 2016. For the fiscal year ended as of June 30, 2016, this improved the overall funded ratio of the Pension Plans from 44.7% to 58.9% as compared to the original actuarial valuation reports as of July 1, 2016.

(7) The reduction in the funded status between the June 30, 2018 and June 30, 2019 actuarial valuations is mainly attributable to the adoption of revised actuarial assumption based on experience investigations conducted by the Pension Plans' actuary in 2019 and a reduction in the assumed investment rate of return used in the actuarial valuations from 7.5% to 7.3%. The revised assumptions, which were adopted by the various Pension Boards in early 2020, caused actuarial accrued liabilities to increase by $2.656 billion or 2.6% between the June 30, 2018 and June 30, 2019 actuarial valuations. The change in the assumed rate of return increased liabilities by $2.098 billion or 2.1%.

Prospective Statutory Funding Status

The following table sets forth the prospective statutory funding status of the Pension Plans for the Fiscal Year ended June 30, 2020 through the Fiscal Year ended June 30, 2049. The following information constitutes forward-looking information and does not represent a prediction of actual results. The following information represents a projection of the future funded status of the Pension Plans that is based on the assumptions and methodologies used by the actuaries to prepare the actuarial valuations for the Pension Plans and assumes that the State continues to make its contributions to the Pension Plan in accordance with its current funding policy. Accordingly, the following information is based on numerous assumptions and methodologies and actual results will likely differ. Investors should read carefully all of the footnotes to the following table and the related cross-references to understand the assumptions and methodologies upon which the following information is based.

PROSPECTIVE STATUTORY FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS(1)
For the Fiscal Year Ending June 30, 2020 through June 30, 2049
(In Millions)

Valuation Year Ending June 30	Actuarial Value of Assets (AVA)(2)(3)	Actuarial Accrued Liability (AAL)(2)(3)	Unfunded Actuarial Accrued Liability (UAAL)(2)	AVA Statutory Funded Ratio(2)
2020	$51,349.3	$103,114.6	$51,765.3	49.8
2021	55,067.1	108,736.5	53,669.4	50.6
2022	58,364.4	110,918.0	52,553.6	52.6
2023	61,636.5	113,094.3	51,457.9	54.5
2024	64,904.2	115,270.6	50,366.4	56.3
2025	68,183.1	117,452.3	49,269.2	58.1
2026	71,482.0	119,639.0	48,157.0	59.7
2027	74,791.2	121,815.8	47,024.6	61.4
2028	78,121.7	123,980.9	45,859.2	63.0
2029	81,483.3	126,136.8	44,653.5	64.6
2030	84,876.9	128,277.8	43,400.9	66.2
2031	88,304.8	130,384.6	42,079.8	67.7
2032	91,774.4	132,456.8	40,682.4	69.3
2033	95,292.5	134,494.3	39,201.8	70.9
2034	98,859.6	136,492.4	37,632.7	72.4
2035	102,486.9	138,451.2	35,964.3	74.0
2036	106,198.0	140,387.0	34,189.0	75.6
2037	110,011.2	142,310.6	32,299.4	77.3
2038	113,948.1	144,235.0	30,286.9	79.0
2039	118,037.9	146,180.6	28,142.7	80.7
2040	122,316.0	148,174.1	25,858.1	82.5
2041	126,826.4	150,249.9	23,423.5	84.4
2042	131,598.4	152,428.3	20,829.9	86.3
2043	136,650.5	154,716.8	18,066.2	88.3
2044	141,998.8	157,119.3	15,120.5	90.4
2045	147,665.3	159,645.6	11,980.3	92.5
2046	153,692.7	162,324.8	8,632.0	94.7
2047	160,880.8	165,155.5	4,274.6	97.4
2048	167,094.6	168,134.3	1,039.8	99.4
2049	170,736.8	171,263.4	526.6	99.7

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits.

(1) The actuarial liabilities and assets shown in this chart are based on the actuarial methods and assumptions used to determine the statutory contributions and are different from the actuarial liabilities and assets based on GASB Statement No. 67. The estimates assume a rate of return of 7% for Fiscal Year 2020 and all future Fiscal Years.

(2) For a description of these terms, see "—Actuarial Valuations and Actuarial Funded Status of Pension Plans" above.

(3) Actuarial value of assets includes the value of the Lottery Contribution. Fiscal Year 2021 includes an unaudited Lottery Net Proceed estimate of $1.108 billion and future Fiscal Years are adjusted for Lottery Net Proceeds projected to be received. Projected Lottery Net Proceeds are based on projections prepared prior to the enactment of LECA. Under LECA, the Lottery Enterprise is re-valued every five years. The first revaluation is expected to be completed by December 31, 2021. Any change

in valuation of the Lottery Enterprise will impact the level of actuarial value of assets. See "—Lottery Enterprise Contribution Act" above.

GASB Statements No. 67 and 68

The State and the Pension Plans are required to follow GASB Statements No. 67 and 68 in preparing their financial statements. These GASB Statements are intended to improve comparability between public pension plans by standardizing the way certain financial data relating to these plans are disclosed. But they do not require plans to change their methods used to compute actual employer contributions to the plan. The State's actual contributions to the Pension Plans continue to be calculated under the requirements of the governing State statutes.

GASB Statements No. 67 and 68 require governmental plans use specific methods in calculating the required disclosures, and those methods differ from the methods that the actuaries of the Pension Plans use in calculating UAAL and Funded Ratio. These include the method used to calculate how much cost each member's pension accrues over time and the discount rate used to discount projected benefit payments. In addition, the standards require the calculation of a "depletion date" based on a projection as to the length of time assets will cover projected benefit payments over a 99-year projection period under certain assumptions. For purposes of projecting future employer contributions, GASB 67 requires that assumed contributions be based on a consistent contribution pattern per state statute or other formally adopted policy. Since the State had not contributed the full actuarial recommended contribution for many years, the GASB valuation report uses the percentage of the actuarially recommended contribution the State is expected to make in the given year and assumes that percentage is what the State contributes for all future Fiscal Years. For example, for the most recent July 1, 2020 GASB valuation report, the asset depletion projection assumes the State will make future contributions based on 78% of the full statutory contribution amount, which represents the expected contribution percentage in Fiscal Year 2021 based on funding appropriated by the State and anticipated Lottery Net Proceeds. The GASB Statements require that the discount rate used to discount projected benefits 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 plan members and the pension plan assets are expected to be invested using a strategy to achieve that return; and (b) a yield or rate index on tax-exempt 20-year, AA- or higher rated municipal bonds to the extent that conditions for use of the long-term expected rate of return are not met.

In Fiscal Year ending June 30, 2022, the State has made a contribution that, after accounting for the impact of the LECA will result in the Pension Plans receiving the full actuarially recommended contribution. Based on the policy followed in prior years, the State expects to use a 100% of actuarially recommended contribution assumption for the GASB 67 reports for Fiscal Year ended June 30, 2021. This change, if authorized through the Fiscal Year 2021 audit process, will lead to higher assumed future contributions, which will eliminate the depletion dates in all Pension Plans and raise the discount rate used to discount the future benefit liabilities to the Pension Plans' assumed rate of return (currently, 7.0%). This, in turn, will reduce Total Pension Liabilities and increase the funded ratio as calculated pursuant to GASB 67.

The GASB 67 reports for the State are based on information from the prior Fiscal Year's actuarial valuations of the Pension Plans, except that the information is updated to reflect market value of assets as of the date of the GASB 67 report and the information is adjusted to reflect events that the actuarial valuation assumed to occur in the Fiscal Year. Thus, the GASB 67 reports as of June 30, 2020 use information from the actuarial valuations of the Pension Plans as of June 30, 2020 subject to these adjustments.

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The results, summarized for the GASB 67 Reports as of June 30, 2020 are shown in the following chart:

GASB STATEMENT NO. 67 DISCLOSURE
Net Pension Liability Plan Fiduciary Net Position[1]
Based on Actuarial Valuations as of July 1, 2020
(In Millions)

Pension Plan	Plan Fiduciary Net Position	Total Pension Liability	Plan Net Pension Liability	Plan Fiduciary Net Position as a % of TPL	Depletion Date (June 30)
PERS[2]	$29,045.4	$67,705.0	$38,659.5	42.90%	[4]
TPAF	21,529.2	87,522.7	65,993.5	24.60	2062
PFRS[3]	27,412.1	46,637.8	19,225.7	58.78	[4]
CP&FPF	1.1	3.4	2.3	30.90	[4]
SPRS	1,727.7	5,045.1	3,317.4	34.25	2057
JRS	146.4	1,255.1	1,108.7	11.66	2033
POPF	4.6	4.0	($0.6)	115.25	[4]
Total	$79,866.5	$208,173.1	$128,306.6	38.37%	

(1) Based on Market Value as of June 30, 2020. Does not take into consideration the Lottery Contribution.

(2) Of the total Net Pension Liability of $38,659 million for PERS, $22,224.0 million is the estimated State portion and $16,435.6 million is the estimated Local portion.

(3) Of the total Net Pension Liability of $19,225 million for PFRS, $4,299.0 million is the estimated State portion and $14,926.7 million is the estimated Local portion.

(4) The Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan members.

As of the most recently completed GASB 67 reports, it has been determined that future assets will not cover all projected future benefit payments to current plan members in the TPAF, SPRS and JRS and, as a result, a lower or blended discount rate has been used to value the Pension Plans' liabilities in these Pension Plans. In the remaining Pension Plans, pension liabilities are discounted at the assumed rate of return of 7.0%.

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The State requested its actuary to provide an estimate of the GASB 67 Net Pension Liability calculations for its five largest pension plans as of June 30, 2021. To prepare these estimates, the actuary (1) started with the GASB 67 Reports as of June 30, 2020 (including the actuarial valuations of the Pension Plans as of June 30, 2020 and taking into consideration the Lottery Contribution), (2) estimated the market value of assets as of June 30, 2021, and (3) assumed that the State's future contributions will be equivalent to 100% of the full actuarially recommended contribution less the Special Asset Adjustment pursuant to LECA in every Fiscal Year. See "—Lottery Enterprise Contribution Act –Special Asset for Actuarial Calculation Purposes" above. These calculations are estimates and do not represent calculations complying with GASB 67 and only provide an indication of the impact that the percentage of actuarially recommended contribution and the Lottery Contribution will have upon the calculations prescribed by and disclosed pursuant to GASB 67 While this indicative actuarial valuation takes into consideration numerous changes in the Pension Plans during Fiscal Year 2021, including an unaudited estimate of the Fiscal Year 2021 investment rate of return, the State believes that the most significant contributor to the decrease in the Plan Net Pension Liability (and other changes) from Fiscal Year 2020 to Fiscal Year 2021 is the change from the assumption that the State will make only 78% of the actuarial recommended contribution in each future Fiscal Year (as required by GASB for Fiscal Year 2020) to the assumption that the State will make 100% of the actuarially recommended contribution in each future Fiscal Year.

ESTIMATED GASB STATEMENT NO. 67 DISCLOSURE
Net Pension Liability Plan Fiduciary Net Position
Based on Indicative Actuarial Valuation as of June 30, 2021*
Future Contributions Assumption
(100% of Actuarially Recommended Contribution)
(In Millions)

Pension Plan	Plan Fiduciary Net Position	Total Pension Liability	Plan Net Pension Liability	Plan Fiduciary Net Position as a % of TPL	Depletion Date (June 30)[(1)]
PERS	$35,512.0	$ 69,009.0	$ 33,497.0	51.5%	None
TPAF	26,549.0	74,558.0	48,009.0	35.6	None
PFRS	33,941.0	48,070.0	14,129.0	70.6	None
SPRS	2,136.0	4,056.0	1,920.0	52.7	None
JRS	183.0	878.0	695.0	20.8	None
Total	$98,321.0	$196,571.0	$98,250.0	50.0%	

* Estimates. Actual numbers for the Fiscal Year ended June 30, 2021 will be audited. Not separated between State and Local Portions.
(1) The Plan's fiduciary net position is projected to be sufficient to make all projected future benefit payments of each respective Plan.

An informational copy of the July 1, 2020 valuation report is posted on the Division of Pensions and Benefits' website at: *http://www.state.nj.us/treasury/pensions/financial-reports.shtml.* The July 1, 2021 valuation report will be posted to the Division of Pensions and Benefits' website when finalized. No information posted on the Division's website is incorporated by reference in this Appendix I.

GASB 67 contains a provision that requires a pension plan to be treated as a single trust for purposes of valuing the plan when there are no separate trust agreements in place for the component groups within the plan. Since there is no language in legislation that legally segregates the State and local components within the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), the information and disclosures for these two multi-employer plans had to be developed in the aggregate per system and not separately for the State and the local participating employers. If the State and local employers were segregated for GASB 67 disclosure purposes, the State's Plan Fiduciary Net Position as a percentage of Total Pension Liability in both PERS and PFRS would have been lower than the combined State and local Plan Fiduciary Net Position as a percentage of Total Pension Liability shown in the above chart, and the local employer Plan Fiduciary Net Position as a percentage of Total Pension Liability would have been higher.

GASB Statement No. 68 Results

GASB Statement No. 68 ("GASB 68") requires each participating employer to recognize and record as a liability on their financial statements their proportionate share of the collective net pension liability determined under GASB 67. For the Fiscal Year ending June 30, 2021, each participating employer must recognize their share of the total net pension liability of $124,830.3 million determined as of measurement date of June 30, 2019. The State's share of the collective net pension liability as of June 30, 2019 has been determined to be $90,766.3 million. This amount will be recorded as a liability on the State's financial statements for the fiscal year ending June 30, 2021.

The following chart summarizes the allocation of the net pension liability of $124,830.3 million as of June 30, 2019 determined under GASB 68:

GASB STATEMENT NO. 68 DISCLOSURE
Allocation of Net Pension Liability (NPL) per GASB 68[1]
(In Millions)

Pension Plan	State	State Non-Employer[1]	Total State	State Colleges & Universities	Locals	Plan Net Pension Liability
PERS	$19,379.0	$ 125.3	$19,504.3	$3,633.4	$18,018.5	$41,156.2
TPAF	148.2	61,370.9	61,519.1	–	–	61,519.1
PFRS	4,016.7	1,943.1	5,959.8	174.3	12,237.8	18,371.9
CP&FPF	2.9	–	2.9	–	–	2.9
SPRS	2,828.1	–	2,828.1	–	–	2,828.1
JRS	952.3	–	952.3	–	–	952.3
POPF	(0.2)	–	(0.2)	–	–	(0.2)
Total	$27,326.9	$63,439.4	$90,766.3	$3,807.7	$30,256.3	$124,830.3

(1) Audited. The TPAF and a portion of local government component of PFRS represent special funding situations because the State is legally responsible for making contributions directly to these plans that is used to provide retirement benefits to non-State employees. Pursuant to GASB 68, these special funding situations require the State to recognize its proportionate share of the collective NPL for these plans.

Since there is no statutory requirement that the State fund the pension costs for the State colleges and universities, the State is not required under GASB 68 to include the State college and university portion of the net pension liability, which is estimated to be $3.808 billion as of June 30, 2019, as a liability on its financial statements. However, the State's longstanding practice has been to pay the required pension contributions on behalf of the various State higher education institutions and it is expected that this longstanding practice will continue in the future.

An informational copy of the GASB 68 actuarial valuation report for the various Pension Plans is posted on the Division's website. No information posted on the Division's website is incorporated by reference in this Appendix I.

FUNDING POST-RETIREMENT MEDICAL BENEFITS

In addition to the pension benefits, the State provides post-retirement medical ("PRM") benefits for certain State and other retired employees meeting the service credit eligibility requirements. This includes retired State employees of PERS, TPAF, PFRS, SPRS, JRS and ABP; local retired TPAF and other school board employees; and some local PFRS retirees. To become eligible for this State-paid benefit, a member of these Pension Plans must retire with 25 or more years of pension service credit or on a disability pension. These benefits are provided through the State Health Benefits Program ("SHBP") and the School Employees' Health Benefits Program ("SEHBP"). The SHBP and the SEHBP are administered by the Division of Pensions and Benefits. The benefits provided include medical, prescription drug, and Medicare Part B and Part D reimbursement for covered retirees, spouses and dependents. In Fiscal Year 2020, the State paid PRM benefits for 171,990 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. Fiscal Year 2022 Appropriations Act includes appropriations of $1.796 billion to cover the cost of PRM benefits. The amount reflects $51 million of expected savings from new planned reforms, including setting pre-determined pricing for certain services and requiring that an entire course of medical treatment for certain procedures be conducted at facilities that offer sustained quality performance in a particular area of medicine. For Fiscal Years 2021 and 2020, the State contributed $1.790 billion and $1.577 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. Post-retirement medical cost increases have been offset by plan savings realized from various reform initiatives, and the use of funding provided by the federal government under the CARES Act to cover COVID-19 related costs. See "FINANCIAL RESULTS AND ESTIMATES" herein.

Impact of COVID-19 on SHBP and SEHBP

The long-term financial impact of the COVID-19 Pandemic on health benefits costs is still unknown. Ultimately, the financial impact will depend on myriad variables, including the cost of novel treatments, vaccines, and new tests, as well as new variants of COVID-19 and potential additional waves. The Division of Pensions and Benefits is closely tracking all costs related to COVID-19, including treatment and testing. Ultimately, the long-term health impacts of the COVID-19 Pandemic, including mental health impacts and the cost of delayed elective care like regular primary care, preventative screenings or regular immunizations, will be closely monitored to determine impacts on the SHBP/SEHBP.

Governmental Accounting Standards

Beginning in Fiscal Year 2018, the State is required to calculate and disclose its obligation to pay PRM to current and future retirees based on GASB 74 and 75. The term "OPEB" as used in the following discussion on GASB 74 and 75 requirements refers to the funding of post-retirement medical benefits. GASB 74 applies to OPEB plans and became effective for plan fiscal years beginning after June 15, 2016. GASB 75 applies to employers that sponsor OPEB plans and became effective for employer fiscal years beginning after June 15, 2017. For the State and local participating employers who report on a fiscal year basis, the GASB 75 reporting and disclosure requirements became effective beginning with the issuance of their financial reports for the fiscal year ending June 30, 2018.

Many of the provisions of GASB 74 and 75 for OPEB are parallel to the provisions of GASB 67 and 68 for pensions. GASB 74 and 75 require a liability for OPEB obligations, known as the net OPEB liability ("NOL"), to be recognized on the balance sheet of the employers participating in the OPEB plan. In addition, an OPEB expense is recognized in the income statement of the participating employers.

Certain actuarial methods and assumptions required under GASB 67 and 68 must also be used to develop the NOL under GASB 74 and 75. For instance, GASB 74 and 75 require that the entry age normal actuarial cost method be utilized to determine the total OPEB liability. GASB 74 and 75 also require that future OPEB benefit payments be discounted using a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate if assets are not available to cover such future benefit payments.

Like GASB 67 and 68, GASB 74 and 75 do not enforce OPEB funding or impact the State's current funding practice which is to fund PRM benefits on a pay-as-you-go basis as benefits become due.

GASB 75 Valuation Results

The State's portion of the total OPEB liability decreased from $75.9 billion to $65.4 billion between the June 30, 2019 and June 30, 2020 GASB 75 actuarial valuations prepared by the State's health benefits actuarial consultant, Aon. The reduction in the State's OPEB liabilities is mainly attributable to reductions in cost in the Medicare Advantage plans, and lower than forecasted medical claims due in part to saving initiatives implemented by the State.

The results of the June 30, 2020 GASB actuarial valuations are summarized in the table below:

GASB Statement No. 75 Accounting Disclosures
Based on Measurement Date of June 30, 2019[(1)]
For the Fiscal Year Ending June 30, 2020
(In Millions)

	State Retired Fund	Education Retired Fund	Local Govt Retired Fund	Total
OPEB Liability				
(a) Retirees Receiving Benefits	$8,013.7	$14,787.7	$5,108.4	$27,909.8
(b) Active Participants	10,192.2	26,941.4	8,710.9	45,844.5
(c) Total	18,205.9	41,729.1	13,819.3	73,754.3
Plan Fiduciary Net Position	–	–	273.2	273.2
Net OPEB Liability	$18,205.9	$41,729.1	$13,546.1	$73,481.1

(1) Audited.

Estimated Allocation of GASB 75 Liability

OPEB Fund	State	State Non-Employer*	Total State	Locals	Net OPEB Liability
State	$12,713.4	$5,492.5	$18,205.9	$ –	$18,205.9
Education	–	41,729.1	41,729.1	–	41,729.1
Local Govt	–	5,525.7	5,525.7	8,020.4	13,546.1
Total	$12,713.4	$52,747.3	$65,460.7	$8,020.4	$73,481.1

* The State is legally responsible for funding post-retirement benefit costs for State college and university retirees, education retirees, and certain PFRS local government retirees under the provisions of L. 1997, c. 330. Since the State is funding the retiree benefits for these groups, it represents a special funding situation under GASB 75 and the State is required to recognize its proportionate share of the collective Net OPEB liability for these plans.

Aon calculated the State OPEB liability based on plan provisions, as provided by the State, along with certain demographic and economic assumptions recommended by Aon and approved by the State, and which conform to the requirements of GASB 74 and 75. Aon used the entry age normal Actuarial Method to calculate the OPEB liability of the State and local participating employers. Many of the actuarial assumptions used to project the OPEB 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 3.5%, which is the maximum discount rate that GASB 74 and 75 permit when employers do not pre-fund their OPEB liabilities and is based on a 20-year tax-exempt municipal bond index. When projecting the growth of expected claims of the lifetimes of the qualifying retirees, (1) Aon assumed that pre-age 65 PPO medical benefits would increase at a rate of 5.7% in Fiscal Year 2019 and decrease to a 4.5% long-term trend after eight (8) years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For HMO medical benefits for both pre- and post-age 65, the trend rate is 5.7% in Fiscal Year 2019 and decreases to a 4.5% long-term trend rate after eight (8) years; and (2) Aon assumed that prescription drug benefits would increase at a rate of 7.5% for current and future retirees in Fiscal Year 2019 and decrease to a 4.5% long-term trend rate after seven (7) years. The Medicare Advantage trend rate is 4.5% in Fiscal Year 2019 and all future years. A copy of the valuation report is posted on the Division of Pensions and Benefits' website at: *http://www.state.nj.us/treasury/pensions/financial-reports.shtml*. No information on that website is incorporated by reference into this Appendix I.

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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.

Abbott v. Burke (Motion in Aid of Litigants' Rights)

On January 28, 2021, the State Defendants (consisting of the Commissioner of Education and the Schools Development Authority ("SDA")) received a motion in aid of litigants' rights filed by the Education Law Center (the "ELC") seeking an order from the New Jersey Supreme Court to compel the State Defendants to seek and secure by June 30, 2021, from the Legislature school construction funding as is needed and required to manage, undertake, and complete the school facilities projects in the SDA 2019 Statewide Strategic Plan. The motion also seeks for the State Defendants to seek and secure funds from the Legislature by June 30, 2021, for health and safety projects, including those necessary to ensure the safe reopening and operation of school buildings in SDA Districts during the ongoing COVID-19 Pandemic. The ELC is seeking to enforce the school facilities construction funding mandate set forth in *Abbott v. Burke*, 153 N.J. 480 (1998) and *Abbott v. Burke*, 164 N.J. 84 (2000). State Defendants filed its opposition to the motion on March 22, 2021. The New Jersey Supreme Court requested additional briefing from the parties on the effect, if any, of the enactment of the Fiscal Year 2022 Appropriations Act. The State Defendants filed its brief on August 6, 2021. The New Jersey Supreme Court requested that the State provide cost estimates for: (1) the priority projects listed in the 2019 Statewide Strategic Plan; and (2) the emergent projects in the SDA Districts. The State provided this information to the New Jersey Supreme Court on November 8, 2021. On December 15, 2021, the New Jersey Supreme Court issued an order appointing a Special Master to conduct an analysis of: (1) the status of the cost estimates at issue, including any outstanding steps required to finalize the State's cost estimates for the emergent projects needed in SDA Districts; (2) the areas in which data is available and those in which information is unavailable or yet undeveloped, and, where the information is not available or has not been developed, a recitation of the steps taken to obtain the information, the steps required to complete that task, and a realistic projection of when the data will become available, if possible, with respect to the cost estimates; and (3) any other information as is relevant to the motion in aid of litigants' rights. The Special Master is to issue their report on the analysis within 60 days. 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 New Jersey Department of Environmental Protection ("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 a 100-acre parcel 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-acre parcel previously developed, and that the DEP could not approve development of the 80 remaining acres without first adopting rules. Since the 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. DEP 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. 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 initiated the reconsideration process pursuant to the regulations.

On June 4, 2014, DEP issued an amelioration authorization which approved development of between 80 to 90 dwelling units clustered on approximately 25 acres of land on the 100-acre parcel. The authorization was consistent with municipal residential zoning, requiring conservation of the remaining 75 acres. DEP also required mitigation of 25 acres of barren land to serve the migratory bird species that uses the subject property. Plaintiff reinstated its longstanding complaint in the trial court, claiming that DEP's amelioration authorization was excessive for this type of environmentally sensitive property and therefore did not follow DEP's rules, and was also inadequate to avoid a taking.

Trial was scheduled to begin November 12, 2019, but the new trial court judge *sua sponte* requested emergent briefing on the issue of burden of proof, reversed the decision of the previous judge who had ruled that DEP had the burden of proof, and declared a mistrial. With the burden rightfully placed on Plaintiff, the Plaintiff requested an adjournment of the trial and additional discovery. A new trial date has not been set by the trial court. Surrounding neighbors also formed a nonprofit entity and intervened to challenge the DEP's amelioration authorization. On March 10, 2021, the parties entered into a settlement to resolve this matter, with East Cape May agreeing to sell the property to the DEP. The closing on the sale of the property by East Cape May to DEP occurred in August 2021.

NL Industries, Inc. v. State of New Jersey

The Raritan Bay Slag Superfund Site (the "Site") is approximately 47 acres of real property located in the Laurence Harbor section of Old Bridge Township and Sayreville. Portions of the Site are located on State riparian lands. In 2012, the United States Environmental Protection Agency ("EPA") informed NL Industries, Inc. ("NL") that EPA believed that slag was generated, in part or in whole, by NL's (then National Lead Industries) lead-smelting facility in Perth Amboy. EPA selected a remediation remedy and named NL as the potentially responsible party subject to enforcement. On March 19, 2014, NL filed an initial complaint for contribution against the State in the Superior Court, Law Division for the costs to remediate the Site. On August 16, 2017, NL filed an amended complaint alleging that in the 1980s the State dredged areas that were impacted by hazardous substances, transported the contaminated sediments and discharged the hazardous substances on areas of the Site, and that the State had caused, or contributed to, the discharge by virtue of the State's failure, as owner of a portion of the Site, to remove the slag after the enactment of the Spill Compensation and Control Act ("Spill Act"), *N.J.S.A.* 58:10-23.11 *et seq*., in 1977. In the amended complaint, NL sought declaratory relief as to the State's liability for cleanup and removal costs, including future costs or damages. The State filed its answer denying liability and asserting defenses under the New Jersey Tort Claims Act, *N.J.S.A.* 59:1-1 *et seq*. The State also filed a counterclaim asserting claims under the Spill Act seeking the State's past and future remediation costs, and natural resource damages. Mediation of this matter began in 2018 and, as a result, NL withdrew its complaint and the State withdrew its counterclaim, both without prejudice. The State continues to mediate this matter with all involved parties. The State is vigorously defending this matter.

Chapter 7 Trustee for Richard Bernardi, Marilyn Bernardi & Strategic Environmental Partners v. New Jersey Department of Environmental Protection

Richard Bernardi, Marilyn Bernardi, and Strategic Environmental Partners (collectively, "Debtors") are Chapter 7 Debtors in Federal Bankruptcy Court, Trenton. Debtors are the owners/operators of the former "Fenimore Landfill" in Roxbury Township, Morris County. In February 2011, Debtors purchased the landfill property with the stated purpose of closing the landfill and redeveloping it as a solar farm. In conjunction with closure of the landfill, Debtors were authorized to import certain solid waste material. Between November 2012 and June 26, 2013, the DEP investigated over 2500 complaints of noxious hydrogen sulfide gas ("H2S") odors emitting from the landfill. On June 26, 2013, following enactment of the "Legacy Landfill Law," *N.J.S.A.* 13:1E-125.1 *et seq.,* DEP issued an emergency order authorizing DEP to enter the landfill property to take measures to abate the H2S odors, which the Debtors had failed to control. DEP entered the property and eventually installed a gas collection system, thermal oxidizer and scrubber to capture and destroy the H2S. DEP continues to occupy a portion of the property in order to operate the H2S treatment systems.

In June 2016, the Debtors filed separate bankruptcy petitions under Chapter 11 of the Bankruptcy Code and a trustee was appointed (the "Chapter 7 Trustee"). In July 2017 the matters were consolidated and converted to Chapter 7 bankruptcy. In December 2017, the Chapter 7 Trustee's counsel advised DEP that they were preparing an adversary complaint in Bankruptcy Court against the DEP seeking damages for DEP's take-over. After brief settlement discussions, on June 14, 2018, the Chapter 7 Trustee filed the adversary complaint for unspecified damages, alleging, inter alia, a taking of Debtors' property without just compensation. DEP filed counter-claims seeking costs incurred to date by DEP abating the H2S emissions. The parties agreed to a discovery extension to September 30, 2022, to explore a resolution of the adversary litigation. Trial is scheduled for January 11, 2023. The State is vigorously defending this matter.

PDX North, Inc., and SLS Delivery Services, Inc. v. Robert Asaro-Angelo (in his capacity as Commissioner of the Department of Labor and Workforce Development)

PDX North, Inc. ("PDX") facilitates, brokers and provides distribution and transportation services of wholesale auto parts to auto dealers in the northeast. The Department of Labor and Workforce Development ("DOLWD") issued three (3) assessments to PDX for unpaid contributions under New Jersey's unemployment compensation law ("UCL") from 2006 to 2015. PDX has challenged those assessments in the Office of Administrative Law ("OAL").

PDX filed a federal complaint and sought to declare void and permanently enjoin the enforcement of the unemployment compensation tax exemptions set forth in *N.J.S.A.* 43:21-19(i)(6) and -19(i)(7)(X), claiming those statutes are preempted by the Federal Aviation Administration Authorization Act of 1994 ("FAAAA"), 49 *U.S.C.* § 14501(c). The complaint specifically alleged that PDX was damaged by the imposition of three (3) audit assessments lodged by the DOLWD for unpaid unemployment compensation taxes. PDX also claimed that it would have to substantially change its business model because of its inability to satisfy the exemptions promulgated in *N.J.S.A.* 43:21-19(i)(6) and -19(i)(7)(X).

SLS Delivery Services, Inc. ("SLS") facilitates and provides distribution and transportation services of packages and parcels to national and international carriers. SLS was permitted to intervene in the PDX federal complaint as a plaintiff and SLS sought the same relief as PDX.

On July 29, 2019, the U.S. District Court entered judgment in favor of the DOLWD with respect to both the PDX complaint and the SLS complaint. Both PDX and SLS appealed the District Court's decision to the Third Circuit. The appeal was fully briefed and oral argument took place on April 15, 2020. The Third Circuit issued a published decision on October 22, 2020, affirming the District Court's decision in favor of DOLWD with respect to PDX and remanded back to the U.S. District Court as to SLS. PDX filed a petition for certiorari with the U.S. Supreme Court on March 19, 2021. On January 8, 2021, the DOLWD filed a motion for judgement on the pleadings, seeking to dismiss SLS's complaint in its entirety. The SLS matter was dismissed with prejudice on April 20, 2021. The U.S. Supreme Court denied PDX's petition for certiorari on October 4, 2021. The PDX matter is currently stayed in the OAL. The State is vigorously defending this matter.

Verizon Americas Inc. (fka Vodafone Americas Inc.) v. Director, Division of Taxation

On July 28, 2016, Verizon Americas Inc. ("Verizon") filed a series of Complaints in the Tax Court of New Jersey, contesting the New Jersey Department of the Treasury, Division of Taxation's ("Division") Corporation Business Tax ("CBT") Act, *N.J.S.A.* 54:10A-1 *et seq.*, refund denials. The Division concluded that Verizon was a general partner in a partnership doing business in New Jersey and subject to CBT. In addition, the Division concluded that Verizon is "unitary" with the partnership and, thus, subject to CBT. In the Complaints, Verizon asserts that it is not subject to tax and entitled to a refund for tax years ending December 2002 through March 2014. This matter settled and, on October 28, 2021, a stipulation of dismissal was filed with the Tax Court.

Public Service Electric & Gas Company, Inc. v. Director, Division of Taxation

For tax years 2006 through 2014, Public Service Electric & Gas Company, Inc. ("PSE&G") filed CBT returns and included its transitional energy facility assessment ("TEFA") in its CBT base, in accordance with *N.J.S.A.* 54:10A-4.1. Thereafter, PSE&G recalculated its CBT liability, removed the TEFA from the tax base and sought a CBT refund. Notably, the Appellate Division recently concluded that TEFA payments are included in the CBT base and denied a similar refund claim. *Rockland Elec. Co. v. Director, Div. of Taxation*, 30 N.J. Tax 448 (Tax 2018), aff'd., A-4522-17T2 (App. Div. June 24, 2019), cert. denied. *Rockland Electric Co.* is now final and binding upon the Tax Court. The Division denied PSE&G's refund claim. On or about May 28, 2019, PSE&G filed a Complaint in the Tax Court of New Jersey, contesting the CBT refund denial. The Division filed its answer to the complaint. The State is vigorously defending this matter.

Stanislaus Food Products Co. v. Director, Division of Taxation

On or about July 31, 2017, Stanislaus Foods filed a complaint in the Tax Court contesting the constitutionality of the Corporation Business Tax's Alternative Minimum Assessment ("AMA") component. For periods after June 30, 2006, the AMA is $0, except for foreign corporations protected from income tax by the Interstate Income Act of 1959, *P.L.* 86-272. Stanislaus Foods alleges the AMA discriminates against foreign corporations in violation of the federal constitution's Dormant Commerce Clause and Supremacy Clause. The parties filed partial cross-motions for summary judgment. On June 28, 2019, the Tax Court concluded that the AMA, for periods after June 30, 2016, conflicts with the mandates of *P.L.* 86-272, and thus, violates the federal Supremacy Clause. The Division filed a motion for reconsideration on March 2, 2020, and the Tax Court heard oral argument on June 19, 2020. On April 22, 2021, the Tax Court denied the Division's motion for reconsideration. The remainder of the case continues to proceed in the Tax Court to address the remaining non-constitutional arguments. The State is vigorously defending this matter.

Cargill Meat Solutions Corporation. v. Director, Division of Taxation

Plaintiff, based out of Kansas, sells meat products and services throughout the United States. Plaintiff does not engage in meat processing or packaging in New Jersey. Rather, its operations in New Jersey are limited to storage and distribution, as it arranges for delivery of its products to a 180-mile radius market covering portions of Pennsylvania, New Jersey, New York and Maryland. In calculating its New Jersey Litter Control Fee liabilities, Plaintiff took a $465 million deduction in 2014 and $509 million deduction in 2015, claiming its sales to wholesalers are not subject to the Litter Control Fee under *N.J.S.A.* 13:1E-216(a), the wholesaler-to-wholesaler exception. The Division disallowed these deductions, finding that the Plaintiff was not entitled to the wholesaler-to-wholesaler exception because even though Plaintiff's sales were all to wholesalers, the Plaintiff is a manufacturer and, thus, not entitled to a wholesaler exemption. The Division imposed additional Litter Control Fee to comport with the disallowance of the deductions. Plaintiff filed a complaint with the Tax Court contesting the denial of the deduction and, to invalidate the additional Litter Control Fee assessment by challenging the facial constitutionality of the Litter Control Fee statute. The Division filed an answer on July 16, 2018, and on June 14, 2019, filed a motion to dismiss the facial constitutional challenge to the Litter Control Fee. On March 12, 2020, the court granted the Division's motion and dismissed that count of the complaint. The parties cross-moved for summary judgment on the remaining counts of the complaint and the Tax Court heard oral argument on April 16, 2021. On December 15, 2021, the Tax Court issued a decision denying the Plaintiff's motion for summary judgment and granting the Division's motion for summary judgment, determining that the Plaintiff is a manufacturer for purposes of the Litter Control Fee and not entitled to the wholesaler exception. The State is vigorously defending this matter.

Gomez v. DCPP et al.

On March 12, 2012, the Plaintiff child was allegedly assaulted by her biological father, suffering severe injuries. Plaintiff alleged that the New Jersey Department of Children Protection and Permanency ("DCPP") knew that the Plaintiff's parents had a history of drug and alcohol abuse, psychiatric problems and were unemployed. The biological mother had two other children removed from her care and was in a methadone program when the Plaintiff was born. The biological father also had an extensive criminal history of domestic violence. Plaintiff claims DCPP failed to comply with its own policy and procedure, failed to remove the Plaintiff from the home, negligent training, violation of the New Jersey Child Placement Bill of Rights, and Section 1983 claims. The complaint was filed in State court on February 12, 2015. On March 11, 2015, DCPP removed the case to the U.S. District Court for the District of New Jersey and filed a motion to dismiss the complaint. The State's motion to dismiss the complaint was denied without prejudice on May 8, 2015. The Plaintiff agreed to withdraw the federal claims and the matter was remanded to State court. Discovery is ongoing. The State is vigorously defending this matter.

J.A. v. Monroe Township Board of Education

On May 23, 2018, Plaintiffs filed a complaint in the U.S. District Court for the District of New Jersey naming the New Jersey Department of Education ("NJDOE"), New Jersey Office of Administrative Law ("NJOAL"), Commissioner of Education, and Administrative Law Judge Jeffrey R. Wilson (collectively, the "State Defendants"), as well as the Monroe Township Board of Education, as defendants. Plaintiffs purport to bring class action claims against State Defendants under the Individuals with Disabilities Education Act ("IDEA") *P.L.* 101-476, and 42 *U.S.C.* § 1983 alleging two (2) separate systemic violations of the IDEA. Plaintiffs also sought to bring a class action declaratory judgment claim against State Defendants and to appeal three (3) separate interlocutory orders of the Administrative Law Judge. Among other things, Plaintiffs seek the following relief: (1) a trust fund to provide educational services to all class members for the denial of a Free and Appropriate Public Education ("FAPE") as such term is defined in IDEA; (2) a trust fund to reimburse class members for the denial of a FAPE; (3) punitive damages; and (4) attorneys' fees and costs.

State Defendants filed a motion to dismiss. Plaintiffs opposed that motion and subsequently filed a motion to amend the complaint, seeking to add additional plaintiffs and a claim for "Federal Preemption." The proposed amended complaint sought the same relief as the original complaint. The U.S. District Court has yet to issue a decision on the State Defendants' motion to dismiss and the Plaintiffs' motion to amend the complaint.

The State Defendants renewed the motion to dismiss the amended complaint. With that motion pending, Plaintiffs filed a motion on May 30, 2020, seeking to supplement the record with the opinion and transcript of the motion to dismiss decision filed in *C.P., et al. v. NJDOE, et al.*, 1:19-cv-12807 (NLH/KMW) ("*C.P.*"). (*C.P.* is a related matter with similar claims, but only seeks injunctive and declaratory relief). On June 28, 2020, the U.S. District Court denied the State Defendants motion to dismiss without prejudice and ordered the parties to show cause as to why this matter should not instead be consolidated with the *C.P.* matter. Both parties opposed consolidation and Plaintiffs instead proposed to stay this matter until the *C.P.* matter has been fully litigated and appealed. However, Plaintiffs have not yet filed a motion for a stay. The U.S. District Court has not issued a formal order or decision on this State Defendants' motion to dismiss the amended complaint, and the State Defendants' time to answer the amended complaint has been extended until such time as the U.S. District Court does so. The State is vigorously defending this matter.

J.A. v. Monroe Township Board of Education, et al. United State District Court for the District of New Jersey, (NLH/KMW)

On July 28, 2020, Plaintiff J.A., individually and on behalf of her minor child J.A., filed a complaint in the New Jersey District Court naming the New Jersey Department of Education ("NJDOE"), New Jersey Office of Administrative Law ("NJOAL"), Kevin Dehmer, Interim Commissioner of Education, Administrative Law Judge MaryAnn Bogan, Administrative Law Judge Joseph A. Ascione and NJDOEs 1-250 Similarly Situated Administrative Law Judges, as well as the Monroe Township Board of Education (collectively, "Defendants"). Plaintiff's Complaint alleges various systemic violations of the IDEA and 42 *U.S.C.* § 1983; a claim of discrimination under the Americans with Disabilities Act of 1990, 42 *U.S.C.* §12101 et seq.; and a claim of retaliation pursuant to Section 504 of the Rehabilitation Act of 1973, 29 *U.S.C* §701 et seq. Plaintiff also seeks to appeal a final decision and order of ALJ Ascione's ruling in *Monroe Twp. Bd. of Ed. v. J.A. et al.*, OAL Dkt. No. EDS 04281-2020S (the subject of this litigation). Plaintiff seeks declaratory and injunctive relief and monetary relief as follows: (1) damages in the amount of $400,000,000; (2) punitive damages in excess of $4,500,000,000; (3) compensatory education; and (4) attorneys' fees and costs. The Defendants' filed a motion to dismiss in lieu of an answer on November 19, 2020. The State is vigorously defending this matter.

J.A. v. New Jersey Department of Education et al.

On March 23, 2021, Plaintiff Johanna A., individually and on behalf of her minor child J.A., filed a complaint in the United States District Court for the District of New Jersey naming the New Jersey Department of Education ("NJDOE"), New Jersey Office of Administrative Law ("NJOAL"), Kevin Dehmer, Interim Commissioner of Education, Administrative Law Judge Ellen Bass, Administrative Law Judge Jeffrey Wilson, Administrative Law Judge John S. Kennedy, and Administrative Law Judge Catherine Tuohy, and NJDOEs 1-250 Similarly Situated Administrative Law Judges, as well as the Monroe Township Board of Education (collectively, the "State Defendants"). Plaintiff's complaint alleges various systemic violations of the IDEA and 42 U.S.C. § 1983; a claim of discrimination under the Americans with Disabilities Act of 1990, 42 U.S.C. §12101 et seq.; a systemic "malicious abuse of process" claim; a "federal preemption" claim; and a claim of retaliation pursuant to Section 504 of the Rehabilitation Act of 1973, 29 U.S.C §701 et seq. Plaintiff also seeks to appeal a final decision and order of ALJ

Tuohy ruling in *Monroe Twp. Bd. of Ed. v. J.A. et al.* Plaintiff seeks declaratory and injunctive relief; monetary relief; compensatory education and services; and attorneys' fees and costs. State Defendants filed a motion to dismiss in lieu of an answer on July 7, 2021. The State is vigorously defending this matter.

Jersey City Board of Education and E.H., a minor, by his guardian ad litem, Shanna C. Givens v. State of New Jersey

On April 29, 2019, the Jersey City Board of Education ("JCBOE") and E.H., a minor, by his guardian ad litem, Shanna C. Givens ("Plaintiffs") filed a complaint against the State and various State officials (collectively, the "State Defendants") alleging that the recent amendments to the School Funding Reform Act, *N.J.S.A.* 18A:7F-43 to -63 (the "Amendments") , violate the State's constitutional requirement to "provide for the maintenance and support of a thorough and efficient system of free public schools..." *N.J. Const.* art. VIII, § 4. The Amendments at issue slowly phase out certain additional State aid previously granted to SDA Districts. The phase out of this additional State aid is to occur over a six-year period beginning in the 2019-2020 school year. Plaintiffs allege that the reduction in State aid to JCBOE will jeopardize JCBOE's ability to provide the level of funding necessary to meet the legal standard of a "thorough and efficient" education.

The Plaintiffs seek, among other things, a preliminary and permanent injunction enjoining the State Defendants from reducing funding to JCBOE. On July 23, 2019, Plaintiffs filed a first amended complaint, which continues to allege that the reduction in State aid to JCBOE as a result of the School Refunding Reform Act Amendments will jeopardize JCBOE's ability to provide a thorough and efficient education to its students. The State Defendants filed a motion to dismiss the first amended complaint, which was denied by the trial court on January 17, 2020. The State Defendants filed an answer to the first amended complaint on March 4, 2020. On September 1, 2020, the Plaintiffs filed a second amended complaint, which made factual and substantive allegations identical to the first amended complaint and merely made changes to the identity of a participating minor-plaintiff. The State Defendants' filed an answer to the second amended complaint. Discovery is currently ongoing. The State is vigorously defending this matter.

Lorillard Tobacco Co. v. Director, Division of Taxation

This case involves constitutional challenges to the Division's regulation, N.J.A.C. 18:7-5.18(b), the Division's interpretation of the unreasonableness exception to the State's corporate royalty addback statute, N.J.S.A. 54:10A-4.4(c)(1)(b), and Division's Schedule G-2, which implements the calculation of the unreasonable exception based on Taxation's interpretation of its regulation. In 2006, the Division assessed Corporation Business Tax ("CBT") on a subsidiary of Lorillard Tobacco Co. ("Lorillard") for tax years 1999-2004 based on royalty payments the subsidiary had received from Lorillard. The subsidiary was a non-filer in New Jersey and contested the assessment in the New Jersey Tax Court claiming, among other things, that it did not have physical presence in the State so it lacked substantial nexus to permit it to be subject to CBT. While the subsidiary's case was pending in the Tax Court, Lorillard filed refund claims for 2002-2005 by filing amended CBT returns, claiming it would be improper, unreasonable, and unconstitutional to deny it a deduction for the royalty payments if, at the same time, the Division subjected its subsidiary to tax on such amounts. Taxation denied the claims as "protective" and Lorillard filed a complaint with the Tax Court in 2007. The subsidiary ultimately conceded nexus, filed CBT returns and paid taxes under the State's 2009 Tax Amnesty program, after the U.S. Supreme Court denied certiorari regarding the New Jersey Supreme Court decision in *Lanco v. Dir., Div. of Taxation*, 188 N.J. 380 (2006). In *Lanco*, the Court held that the State could subject a taxpayer to CBT even though it lacked physical presence in the State. Thereafter, Lorillard sought an expedited payment of the CBT refund based on the Division's Schedule G-2 calculation, which limited Lorillard's deduction due to its subsidiary's lower allocation factor. Lorillard reserved its challenge to the remainder of the exemption. In 2012, Lorillard filed another complaint with the Tax Court challenging the Division's partial refund denial for tax years 2008-2010 on the same basis as the 2007 complaint.

Lorillard claims that the Division improperly and unconstitutionally granted only a partial deduction of royalty payments that Lorillard made to its subsidiary. In February 2019, the Tax Court issued a decision granting Lorillard summary judgment, and holding that the Division's denial of a deduction for the full amount of royalties Lorillard paid was not a reasonable exercise of the Division's discretion. The Tax Court found it unnecessary to address Lorillard's constitutional attacks.

The Division appealed to the Appellate Division, and Lorillard filed a cross-appeal, re-asserting its constitutional challenges. The Tax Court issued a final judgment on Lorillard's 2012 complaint based on its reasoning regarding the 2007 complaint. Both parties again appealed and the matters were consolidated by the Appellate Division. Oral argument was held on December 14, 2020. On September 21, 2021, the Appellate Division reversed the Tax Court's decision granting Lorillard summary judgment and remanded the matter back to the Tax Court for consideration of the constitutional issues. The State is vigorously defending this matter.

Lisa Salvato, on behalf of herself and other persons similarly situated v. Steven Harris, in his official capacity as Administrator of the State of New Jersey

On July 14, 2021, Plaintiff filed a corrected complaint in the United States District Court for the District of New Jersey seeking declaratory and injunctive relief against the Administrator of the New Jersey Unclaimed Property Administration (the "Administrator"). Plaintiff challenges the constitutionality of the New Jersey Uniform Disposition of Unclaimed Property Act, *N.J.S.A.* 46:30B-1 to -109 (the "Unclaimed Property Act"). Plaintiff alleges that the Unclaimed Property Act violates the federal constitution's Due Process Clause and Takings Clause. Plaintiff seeks relief both individually and on behalf of a class of similarly situated individuals, namely all individuals owning abandoned property transferred to the State under the Unclaimed Property Act over the past ten years without notice to the owners. The State filed a motion to dismiss the complaint on September 27, 2021. 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. Twenty-two audits, which in the aggregate total nearly $1 billion, are currently in draft or final form but, due to possible revisions or appeals, the final amounts are uncertain. Approximately one-third of the amount above relates to an audit of the State's School-based Medicaid claiming. However, DHS is disputing the OIG's audit findings. 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.

The federal Disaster Relief Appropriations Act of 2013 (the "Disaster Relief Act") 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 Superstorm Sandy, including funding provided directly to private homeowners and businesses. The Disaster Relief Act allocated funding to the various federal Offices of Inspector General ("OIG") to conduct audits and investigations related to the expenditure of disaster relief aid. Audits are ongoing or have already been undertaken by the OIG from the U.S. Department of Homeland Security, the U.S. Department of Housing and Urban Development, the U.S. Department of Transportation, and the U.S. Department of Health and Human Services. The State anticipates that there will be continued audit activity throughout the duration of the federally-funded Sandy programs. As with any federal OIG audit or investigation, there is the potential for an OIG recommendation that the federal agency de-obligate funding in the event of non-compliance with federal statutes or regulations.

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*.). 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 was transferred to Rutgers, The State University ("Rutgers"), with the exception of the School of Osteopathic Medicine which was transferred to Rowan University ("Rowan"), and University Hospital in Newark, New Jersey, which 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. 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.

Approximately two dozen hospitals have challenged in the Office of Administrative Law and the Appellate Division the Medicaid reimbursement rates paid to these hospitals alleging that there were calculation errors or that the methodology used to calculate the rates is incorrect. Additionally, a group of hospitals have challenged the constitutionality of the charity care statute and the inpatient Medicaid rate reimbursement framework. This group of hospitals allege the losses incurred in treatment of the charity care and Medicaid patients is an unconstitutional taking of the hospitals property. These challenges date back to 2002. The State is vigorously defending this matter. To date, there have been no findings against the State. In the event the hospitals are successful, DHS has advised that they may possibly need to refund millions of dollars to the hospitals over the various relevant years. The State is unable to estimate its exposure for these claims.

Affirmative Litigation

From time to time, the State initiates litigation against various entities to enforce State laws, contractual and other rights, pursue cost recoveries and natural resource damages in the environmental arena and prosecute entities who have engaged in alleged fraudulent, negligent or other wrongful conduct. The State is unable to estimate the amount of any monetary recoveries from such affirmative litigation. In addition, depending on which State department, division or agency is the plaintiff, any monetary recoveries may already be included in such State department, division or agency's revenue estimates for the current fiscal year.

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APPENDIX I-A
SUMMARY OF CERTAIN STATE TAXES

APPENDIX I-A
SUMMARY OF CERTAIN STATE TAXES

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Summary of Certain State Taxes

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

Alcoholic Beverage Tax

The Alcoholic Beverage Tax applies to the first sale or delivery of beer, liquor, wine and sparkling 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. Materials used by distilleries to produce hand sanitizer during a public health emergency are exempt. *L*. 2020, *c*. 33.

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 a tax on the "gross revenues" of gambling casinos, as defined by the Act, as well as a gross revenue tax on companies that administer and service multi-casino progressive slot machine systems.

Current Rate: 8% (both taxes).

There is also 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, and fees for casino hotel parking in Atlantic City.

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 *(see N.J.S.A.* 5:12-144.1*)* 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.

Revenue received by casinos from sports wagering is subject to an 8.5% tax, while revenue received from Internet sports wagering is subject to a 13% tax. *L*. 2019, *c*. 36.

Cigarette Tax and Tobacco and Vapor Products 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 and also on consumers who possess untaxed cigarettes. 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. The Tobacco Products Wholesale Tax is imposed on liquid nicotine used in electronic cigarettes and similar devices. *L*. 2018, *c*. 50. The Act was renamed the Tobacco and Vapor Products Tax Act and container e-liquid is now subject to the tax. *L*. 2019, *c*. 147.

Current Rates: Cigarette Tax — $0.135 per cigarette and $2.70 per pack of twenty cigarettes; Moist snuff — $0.75 per ounce with a proportionate tax rate for fractional amounts; Tobacco and Vapor Products Tax — 30%; $0.10 per milliliter of liquid nicotine with a proportionate tax rate on fractional amounts and 10% of the retail price of container e-liquid.

Annually, the sum of $1 million 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, 2009, $241,500,000 of revenue collected from the Cigarette Tax shall be deposited annually into the Dedicated Cigarette Tax Revenue Fund. *L*. 2009, *c*. 70.

Corporation Business Tax (CBT)

Corporations are subject to mandatory unitary business combined reporting and market sourcing for tax years beginning on and after January 1, 2019. Combined reporting treats the unitary business members of a combined group as one single economic enterprise. *L.* 2020, *c.* 118 amended the combined reporting rules further by adding provisions concerning treatment of income of public utilities, New Jersey Subchapter S corporations, and certain allowable net operating loss carryovers, transfers, and deductions. Combined reporting is intended to reduce tax sheltering by multistate or multinational businesses. *L*. 2018, *c*. 48. The definition of "unitary business" has been expanded to mean "a single economic enterprise that is made up either of separate parts of a single business entity or of a group of business entities under common ownership" and is "construed to the broadest extent permitted under the Constitution of the United States." *L*. 2018, *c*. 48. Provisions regarding the entire net income tax base and operative dates for combined reporting were amended, a CBT deduction in the amount of a federal deduction claimed on certain foreign related income under 26 U.S.C. § 250 was added, and the tax treatment of certain tax credits awarded by the EDA was clarified. In addition, a surtax was imposed with a phase down over four tax years: a 2.5% surtax in Tax Years 2018 and 2019; a 1.5% surtax in Tax Years 2020 and 2021; and no surtax beginning in Tax Year 2022. *L.* 2018, *c.* 131. The 2.5% surtax is now retroactively imposed from January 1, 2020 through December 31, 2023. However, if the federal corporate income tax rate imposed pursuant to IRC § 11 is increased to a rate of at least 35% of taxable income, the imposition of the surtax imposed pursuant to *c.* 95 shall be suspended following the conclusion of a taxpayer's privilege period corresponding with the increase to the federal corporate income tax rate. *L.* 2020, *c.* 95.

L. 2017, *c.* 254 authorizes the establishment of a drug donation program that encourages the donation of over-the-counter drugs, prescription drugs, and administrative supplies for use by people who are indigent, uninsured, or underinsured. Drug donors may claim a corporation business tax or gross income tax credit equal to the sum of: the cost of the over-the-counter drugs, prescription drugs and administration supplies; and the verifiable cost incurred to make the donation of the drugs and supplies.

On November 4, 2014, Article VIII, Section II of the State Constitution was amended to provide that from July 1, 2015, until June 30, 2019, an amount equivalent to 4% of the revenue annually derived from the CBT (or any other law of similar effect) be credited to a special account in the General Fund to be appropriated for the preservation, development, and stewardship, of lands for recreation and conversation purposes. Commencing on July 1, 2019, an amount equivalent to 6% of the revenue annually derived from the CBT (or any other law of similar effect) shall be credited to this special account to be appropriated for these purposes.

NJEDA provides tax credits which can be used to offset CBT (as well as Insurance Premiums Tax) through the Urban Transit Hub Tax Credit Act ("UTHTCA"), the Grow New Jersey Assistance Act ("GNJAA"), the New Jersey Economic Stimulus Act of 2009 ("NJESA 2009"), the Public Infrastructure Program ("PIP"), and through BEIP grants. Awards for any of these programs are based on actual performance and achievement of job and capital investment requirements. *L*. 2012, *c*. 35, amends the UTHTCA 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 was increased from $1.5 billion to $1.75 billion, to be utilized over a ten-year period. The overall cap on PIP credits is $22 million. There is no overall cap on GNJAA credits. The UTHTCA program is now closed to new applications.

L. 2013, *c*. 14, known as the "New Jersey Angel Investor Tax Credit Act," provides tax credits against CBT and GIT 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. The total cap on the credit is increased to $35 million per year. *L*. 2020, *c*. 156. *L*. 2017, *c*. 40, permits holding companies of eligible New Jersey emerging technology companies to receive investments under the Act. The amount of the CBT and GIT credits that are available for qualified investments increased from 10% to 20% of the qualified investment and a taxpayer may be allowed a tax credit in an amount equal to 25% of the qualified investment when the emerging technology business is located in a qualified opportunity zone or low income community, as defined by federal law, or is certified by the State as a minority or women's business. *L.* 2019, *c.* 145.

Credits against the CBT and IPRT are also available to residential developers, through the ERG program, authorized by NJEDA in 2009. The total cap on credits is $823 million, to be utilized over a ten-year period. *L.* 2015, *c.* 69 provides that mixed use parking project developers are eligible for credits, but does not increase the cap. The ERG program expired on July 1, 2019, and no new applications are being accepted.

NJEDA awarded BEIP grants to certain businesses which met employment goals in New Jersey. *L.* 2015, *c.* 194. Most recipients of BEIP grants accrued but not paid between 2008 and 2025 elected to receive the grant in the form of a tax credit against the recipient's CBT (as well as IPRT) obligations. Credits can be sold in certain circumstances by certain entities. The amount of the grant or credit is based on the recipient company's employee GIT withholdings. There was no overall cap on BEIP grants, although the grant was limited to a maximum of $50,000 per employee. The BEIP program is now closed to new applications.

NJEDA awarded tax credits against CBT and IPRT through the Business Retention and Relocation Assistance Act ("BRRAA"). The overall cap was $20 million per year. The program was eliminated by *L.* 2013, *c.* 161. The BRRAA program is now closed to new applications. NJEDA approved $124 million of BRRAA tax credits for companies, which may use the credits over six years.

In order to respond to the COVID-19 pandemic, the NJEDA may request that a tax certificate holder, at the holder's discretion, defer the application of an allowable credit, pursuant to N.J.S.A. 34:1B-247 (*L.* 2011, *c.* 149), to a later tax period. *L.* 2020, *c.* 156.

Most tax credit programs administered by the NJEDA are nonrefundable, meaning that a taxpayer may not claim a tax credit greater than its tax liability. The nonrefundable status of the tax credits negates the potential for a tax refund based upon the applicable NJEDA tax credit in any tax year for taxpayers without sufficient tax liability. However, many of the tax credits can be sold.

L. 2018, *c.* 56, known as the "Garden State Film and Digital Media Jobs Act," provides a tax credit for qualified film production expenses and for digital media content production expenses against the CBT and the GIT. The application for the credits must be submitted to the NJEDA and approved in order to receive the credits. For qualified film production expenses, the credit is 30% of the expenses during a tax year beginning on or after July 1, 2018, but before July 1, 2028. *L.* 2019, *c.* 506. The credit is 35% for qualified film production expenses incurred by a taxpayer for services performed or tangible personal property purchased from sellers with a primary place of business in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, or Salem County. For digital media content production expenses, the credit is 20% of the qualified digital media content production expenses of the taxpayer during a privilege period beginning on or after July 1, 2018 but before July 1, 2023. The credit is 25% for expenses incurred by a taxpayer in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, or Salem County. NJEDA may not approve more than $75 million in tax credits for qualified film production expenses for Fiscal Year 2019 and in each Fiscal Year thereafter prior to Fiscal Year 2024, and no more than $10 million in tax credits for qualified digital media content production expenses in Fiscal Year 2019 and in each Fiscal Year thereafter prior to Fiscal Year 2024. New designations for New Jersey film partners and New Jersey film-lease partners were added and an additional $200 million of tax credits are provided annually over 13 years. *L.* 2020, *c.* 156

A tax credit is available for employers of impaired employees to help to offset the cost to the employer of any wage increases for those employees caused by the enactment of the increased minimum wage. The minimum wage is scheduled to increase in stages from $8.80 per hour to $15 per hour by January 1, 2024. *L.* 2019, *c.* 32.

L. 2020, *c.* 320 creates the "Pass-Through Business Alternative Income Tax Act." The alternative tax is elected by the entity's members and calculated by a progressive percentage, 5.675% to 10.9%, depending on the amount of pass-through proceeds. If paid, the members are entitled to a corresponding GIT credit.

Employers are provided a CBT and GIT tax credit for workers who missed time due to donating organs or bone marrow, capped at 25% of the worker's salary for up to thirty days of missed time. *L.* 2019, *c.* 444.

Starting July 1 2019, a taxpayer can claim credits against CBT and GIT up to $10,000 for start-up costs immediately following a qualifying one-year apprenticeship in an apprenticeable trade. *L.* 2019, *c.* 417. The Division of Taxation's Director can approve up to $1,000,000 in credits annually.

L. 2020, *c.* 156, known as the "New Jersey Economic Recovery Act of 2020," provides various tax credits, including an overall cap of $11.5 billion for these programs, and allows a seventh year of tax credits under those programs for uncommitted credits. The Historic Property Reinvestment program provides CBT and IPT tax credits for part of the cost of rehabilitating historic properties in this State. The credit is based on 40 percent of the rehabilitation cost of a qualified property or transformative project and tax credits under this program are capped at $50 million annually for six years. *L.* 2020, *c.* 156. The Brownfields Redevelopment Incentive program provides CBT tax credits to compensate developers of redevelopment projects located on brownfield sites for remediation costs based on 40 percent of the actual remediation costs, or 40 percent of the projected remediation costs as set forth in the redevelopment agreement, or $4,000,000, whichever is least. Tax credits under this program are capped at $50 million annually for six years. *L.* 2020, *c.* 156. The Food Desert Relief program provides corporation business tax credits in order to incentivize businesses to establish and retain new supermarkets and grocery stores in food desert communities. The taxpayer may claim 25 percent of the total credit in the taxable year during which the taxpayer establishes and opens the supermarket or grocery store for business and may carryforward any unused credits for 10 years. Tax credits under this program are capped at $40 million annually for six years. *L.* 2020, *c.* 156. The New Jersey Community-Anchored Development program provides CBT and IPT tax credits to anchor institutions, which includes universities, medical systems, and other non-profits, to incentivize the expansion of targeted industries in the State and the continued development of certain areas of the State. Tax credits under this program are capped at $200 million annually for six years. *L.* 2020, *c.* 156. The New Jersey Aspire program provides CBT and IPT tax credits to encourage redevelopment projects, including special needs, moderate-income, and low-income redevelopment projects, by covering certain project financing gap costs. *L.* 2020, *c.* 156. The Emerge program provides CBT and IPT tax credits to encourage economic development, job creation, and the retention of a significant number of jobs in imminent danger of leaving the State. These credits may be used in the tax year in which they are approved or they can be carried forward for use in any of the next seven successive tax periods. *L.* 2020, *c.* 156. Tax credits under the Aspire program combined with tax credits under the Emerge program are capped at $1.1 billion annually for six years. *L.* 2020, *c.* 156. The $1.1 billion cap does not apply to transformative projects for which the credits under the Aspire program and the Emerge program are capped at $2.5 billion over six years combined. *L.* 2020, *c.* 156. The Act also provides a CBT and GIT tax credit for hiring employees for the manufacture of personal protective equipment. These tax credits are capped at $10 million annually for three years. *L.* 2020, *c.* 156. Under the New Jersey Evergreen Act, the New Jersey Economic Development Authority, will auction up to $300,000,000 in tax credits in annual amounts if, exclusive of reserves, the New Jersey Economic Development Authority does not have more than $15,000,000 available from prior auction(s) of tax credits to distribute amongst qualified venture firms. *L.* 2020, *c.* 156. The Director, Division of Taxation may purchase unused tax credits for 75% or less of their value, except for credit under the "Emerge Program Act," awarded under the following programs: "Historic Property Reinvestment Act," the "Brownfield Redevelopment Incentive Program Act," the "New Jersey Innovation Evergreen Act," the "Food Desert Relief Act," the "New Jersey Community-Anchored Development Act," the "New Jersey Aspire Program Act," the "Emerge Program Act," the Grow New Jersey Assistance Program, section 6 of *L.* 2010, *c.* 57, the State Economic Redevelopment and Growth Grant Program, and sections 1 and 2 of *L.* 2018, *c.* 56. *L.* 2020, *c.* 156. For privilege periods ending in 2020, 2021, and 2022, a taxpayer, upon approval of an application, shall be allowed a $10,000 credit for each qualifying new hire (new hires for which the taxpayer is already receiving an incentive under the Emerge Program are not eligible) involved in the manufacture of personal protective equipment in a qualified facility, against Franchise Tax and/or GIT imposed upon the taxpayer, along with other tax credits awarded based upon employment practices at a qualified facility engaged in various economic activity, not to exceed $500,000 ($10,000,000 for both Franchise Tax and GIT). *L.* 2020, *c.* 156. A business entity classified as a partnership or New Jersey S Corporation will not be allowed a tax credit based upon the production of personal protective equipment against GIT, along with other tax credits awarded based upon employment practices at a qualified facility. *L.* 2020, *c.* 156.

For CBT and GIT purposes, a taxpayer shall not be denied a deduction for ordinary and necessary business expenses paid for with the proceeds of a federal Paycheck Protection Program loan by reason of the exclusion of the loan from entire net income or because the loan was forgiven. *L.* 2021, *c.* 90.

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, as were tax laws concerning sales of electricity, natural gas, and energy transportation service. 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 CBT and the retail sale of electricity and natural gas, with certain exceptions, became subject to the State's Sales and Use Tax. *L.* 1997, *c.* 167.

Current Rate for sewerage and water corporations: 5% (2% if gross receipts do not exceed $50,000) plus 7% on gross receipts plus 0.625% surtax (0.25% if gross receipts do not exceed $50,000) plus 0.9375%.

Utilities are generally subject to the CBT, with certain exceptions. The retail sale of energy and utility service is subject to the State's Sales and Use Tax, with certain exceptions. A portion of the revenues derived from the taxation of energy and utility service is credited to a special dedicated fund known as the "Energy Tax Receipts Property Tax Relief Fund" ("Fund"). *L.* 1997, *c.* 167. Sewerage and water corporations are exempt from the CBT, but are subject to a specific excise tax which applies only to them. Utilities are also assessed by the Board of Public Utilities. Certain utilities may also be subject to the Uniform Transitional Utility Assessment.

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

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 or other retirement income, such as income from Internal Revenue Code § 401(k), 403, 414, 457 Plans (*L.* 1989, *c.* 219), 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. *Current 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 gross income tax rate of 8.97% is imposed on taxpayers with income over $500,000. *L.* 2004, *c.* 40.

Effective January 1, 2018 and thereafter, a new graduated gross income tax rate of 10.75% is imposed on taxpayers with income over $5,000,000. *L.* 2018, *c.* 45.

Effective January 1, 2020 and thereafter, the tax rate for income between $1,000,000 and $5,000,000 increases from 8.97% to 10.75%. *L.* 2020, c. 94.

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 January 1, 1997, $1,200 is deductible, with this amount annually adjusted based on relevant C.P.I.'s. *L.* 1996, *c.* 121; *L.* 2002, *c.* 162. 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. Military pension and survivor benefits respecting service in the United States Armed Forces are not included in gross income. *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 years beginning on or after January 1, 2021, military combat zone pay excluded under IRC §112 is also excluded from New Jersey gross income. *L.* 2020, *c.* 93.

Gross income also does not include earnings on or distributions from an individual trust account or savings account established pursuant to the New Jersey Better Educational Savings Trust Program ("NJBEST") (*L.* 1997, *c.* 237) or the New Jersey Achieving a Better Life Experience ("ABLE") Program (*L.* 2015, *c.* 185); 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. For taxable years beginning on or after January 1, 2022, a NJBEST account when it is initially opened by a taxpayer with gross income of $75,000 or less shall be eligible for a one-time grant of up to $750 in a dollar-for-dollar match of the initial deposit to the account. *L.* 2021, *c.* 128. A taxpayer with gross income of $200,000 or less shall be allowed a deduction, not to exceed $10,000, from the taxpayer's gross income for the taxable year in the amount of the taxpayer's contribution for the taxable year to an account established pursuant to the NJBEST Program, *L.* 2021, *c.* 128. A taxpayer with gross income of $200,000 or less shall be allowed a deduction, not to exceed $2,500, from the taxpayer's gross income for the taxable year in the amount of principal and interest payments paid on a student loan under the New Jersey College Loans to Assist State Students Loan ("NJCLASS") Program (*L.* 1999, *c.* 46) *L.* 2021, *c.* 128. A taxpayer with gross income of $200,000 or less shall be allowed a deduction, not to exceed $10,000, from the taxpayer's gross income for the taxable year in the amount the taxpayer paid to an in-State institution of higher education during the taxable year for tuition costs related to the taxpayer's enrollment or attendance at the institution of higher education or related to the enrollment or attendance of a spouse or dependent of the taxpayer at the institution. *L.* 2021, *c.* 128.

Pursuant to *N.J.S.A.* 54A:3A-17, New Jersey resident taxpayers are permitted a deduction of up to $10,000 from gross income for property taxes. Effective January 1, 2018 and thereafter, the deduction from gross income for property taxes increases to $15,000. *L.* 2018, c. 45. 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 $10,000 for unmarried individuals, married persons filing separately, estates, and trusts, for tax years commencing January 1, 1999. *L.* 1994, *c.* 8. With respect to married persons filing joint returns, and individuals filing as head of household or as a surviving spouse for federal income tax purposes pursuant to *N.J.S.A.* 54A:2-1, the minimum taxable income subject to tax is amounts in excess of $20,000.

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, 20% for 2010 through 2014, 30% for 2015 (*L.* 2015, *c.* 73), 35% for 2016 through 2017 (*L.* 2016, *c.* 57), 37% for 2018 (*L.* 2018, *c.* 45), 39% for 2019 (*L.* 2018, *c.* 45) and 40% for 2020 and thereafter. *L.* 2018, *c.* 45. For tax years beginning on and after January 1, 2021, eligibility under the EITC program includes taxpayers that are at least 18 years of age and removes the maximum age restriction of 65 years old. *L.* 2021, *c.* 130.

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. 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, and will apply to qualified production property that was grown or extracted by the taxpayer, (*L.* 2005, *c.* 127, effective July 6, 2005).

For taxable years beginning after December 31, 2017, the entire IRC §199 deduction has been repealed for federal and New Jersey purposes by the federal Tax Cuts and Jobs Act. (*Pub. L.* 115–97, title I, § 13305(a), Dec. 22, 2017, 131 Stat. 2126). *L.* 2018, *c.* 48.

For taxable years beginning after December 31, 2017, the GIT is decoupled from any deduction provided under section 199A of the federal Internal Revenue Code. Section 199A allows taxpayers other than corporations a deduction of 20% of qualified business income earned in a qualified trade or business, subject to certain limitations. *L.* 2018, *c.* 48.

L. 2018, *c.* 45 provides a nonrefundable tax credit for certain child and dependent care expenses. Effective January 1, 2018, an eligible New Jersey resident taxpayer with New Jersey taxable income of $60,000 or less can claim a credit for expenses for household and dependent care services based upon a percentage of the individual's federal credit which is allowed and applied for under section 21 of the Internal Revenue Code of 1986 (26 *U.S.C.* 21). The credit shall be in an amount equal to a percentage of the credit allowed the taxpayer for federal income tax purposes for the taxable year as follows: Income not over $20,000 receives 50% of federal credit; income over $20,000 but not over $30,000 receives 40% of federal credit; income over $30,000 but not over $40,000 receives 30% of federal credit; income over $40,000 but not over $50,000 receives 20% of federal credit; and income over $50,000 but not over $60,000 receives 10% of federal credit.

The GIT pension exclusion and other retirement income exclusion are available to certain taxpayers in amount up to a total of $100,000 for joint filers, $75,000 for individuals, and $50,000 for married but filing separately. *L.* 2016, *c.* 57. *L.* 2005, *c.* 130 previously eliminated the GIT pension exclusion and other retirement income exclusion for taxpayers with gross income over $100,000. For tax years beginning on and after January 1, 2021, Taxpayers with income greater than $100,000 but less than $125,000 are newly eligible for partial exclusions of retirement and pension income of up to 50% (married filing jointly), 25% (married filing separately) or 37.5% (single). *L.* 2021, *c.* 129. For taxpayers with income greater than $125,000 but less than $150,000, the exclusion is 25% (married filing joint), 12.5% (married filing separately), or 18.75% (single). *L.* 2021, *c.* 129.

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.

NJEDA awarded BEIP grants to certain businesses which meet employment goals in New Jersey. Recipients of BEIP grants accrued but not paid between 2008 and 2025 can choose to receive the grant in the form of a credit against the recipient's GIT withholding obligations. *L.* 2015, *c.* 194. A recipient which is a partnership can receive a credit against its GIT withholding obligations or the GIT obligations of certain partners. Credits can be sold in certain circumstances by certain entities. The BEIP program is now closed to new applications.

L. 2009, *c.* 69 suspends the property tax deduction for tax year 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: 65 years of age or older; or allowed a personal exemption as a blind or disabled individual. Chapter 69 also provides that New Jersey State 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. *L.* 2009, *c.* 69.

An additional annual personal exemption of $3,000 is allowed for any individual New Jersey gross income taxpayer who is a veteran honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty status. *L.* 2016, *c.* 57. The additional annual personal exemption for veterans was increased from $3,000 to $6,000. *L.* 2019, *c.* 146.

L. 2017, *c.* 67, the Wounded Warrior Caregivers Relief Act, provides tax credits for qualified family caregivers of qualified armed service members.

L. 2017, *c.* 174, established the "Gold Star Family Counseling Program" in the Department of Military and Veterans Affairs and provides an annual tax credit that shall be determined by the department as the sum of the hours of donated counseling provided to the Gold Star family member multiplied by the documented compensation rate applied to these hours.

Individuals can elect to direct part or all of their GIT refund to the Meals on Wheels program, directly on their GIT return. *L.* 2019, *c.* 295.

The deadline to file GIT returns for tax year 2019 was extended to July 15, 2020. *L.* 2020, *c.* 19. The statute of limitations for assessments was also extended until ninety days after the conclusion of the state of emergency declared by the governor. *L.* 2020, *c.* 19.

L. 2020, *c.* 320 creates the "Pass-Through Business Alternative Income Tax Act." A GIT credit is available in the amount of the individual member's pro rata share of the entity's elected alternative minimum tax.

Unreimbursed costs related to donating organs or bone marrow can be deducted from gross income, up to $10,000. *L.* 2019, *c.* 444.

Insurance Premiums Tax (IPT)

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 the 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. There is also a retaliatory tax imposed against foreign insurance companies doing business in New Jersey where the foreign company's state, country, or province (in the event that the foreign country is Canada) imposes an overall tax (including but not limited to fines and penalties) on New Jersey insurance companies doing business in that jurisdiction higher than the tax New Jersey imposes on the foreign company doing business in New Jersey. The tax rate is equal to the difference between the two rates.

Current Rates: 1.05% 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 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 (*N.J.S.A.* 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.

L. 2009, *c.* 75, allowed for a one-time transfer of $60 million from the New Jersey Surplus Lines Insurance Guaranty Fund to the Health Care Subsidy Fund but provided a contingency appropriation not to exceed $27 million from the General Fund in the event the New Jersey Surplus Lines Insurance Guaranty Fund was left with insufficient funds to meet its obligations under the law. *L.* 2009, *c.* 75.

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 the company's New Jersey business to total business is greater than 12.5%. Moreover, Chapter 75 changed 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.

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.

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.

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.

Article VIII, Section 2, Paragraph 4 of the State 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. Effective after the fiscal year beginning July, 1, 2015, the dedicated funds shall be an amount equivalent to all revenue derived from collection of the Motor Fuels Tax.

Petroleum Gross Receipts Tax

The Petroleum 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 (*L.* 1991, *c.* 19) and asphalt. This tax does not apply to the sale of fuel oil used by any utility, co-generation facility or wholesale operation facility to generate electricity.

Current Rate: 7% for petroleum products, $.124 per gallon for fuel oil effective November 1, 2016. *L.* 2016, *c.*57. Aviation fuel remains subject to tax at $0.04 per gallon. Effective October 1, 2021, the tax on gasoline and liquefied petroleum will decrease from $.402 cents to $.319 cents for gasoline and from $.442 cents to $.359 cents for diesel fuel.

In November 2000 Article VIII, Section 2 of the State 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. For each fiscal year after 2016, an amount equivalent to all revenue from the collection of the tax on gross receipts of petroleum products shall be dedicated to the Transportation Trust Fund Account.

Realty Transfer Tax

The Realty Transfer Tax ("RTT") 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 RTT upon presentation for filing of deeds evidencing transfers of real property. The supplemental fee is also being 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 in addition to the above-recited RTT 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 is also being 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 residentially-zoned real property, whether improved or not, is required to pay a separate fee equal to 1% of the full amount of the consideration for consideration in excess of $1,000,000. The fee imposed by subsection a. of *L.* 2004, *c.* 66, § 8 (*N.J.S.A.* 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.* 33. 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.* 33. 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.

L. 2006, *c.* 33 did not alter *L.* 2005, *c.* 19, which exempts from the fee any transfer to a 26 *U.S.C.* 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 ("SUT") 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. Beginning on October 1, 2018, the rental of a transient accommodation is subject to this tax and to the State Occupancy Tax unless the keys to the transient accommodation are obtained off-site from a New Jersey real estate broker. *L.* 2018, *c.* 49. Rentals of hotels, motels, and transient accommodations located in one of the 14 municipalities that participate in the Meadowlands revenue sharing program are subject to an additional 3% Meadowlands regional hotel use assessment. *L.* 2018, *c.* 49; *L.* 2018, *c.* 52. On and after August 9, 2019, transient accommodation taxes and fees are only applicable when the renter obtains the rental unit through a transient space marketplace or when the unit is professionally managed. *L.* 2019, c. 235. In addition, travel agencies and online travel agencies are now considered to be transient space marketplaces and are required to collect the transient accommodation taxes and fees.

Current Rate: 7% (*L.* 2006, *c.* 44). The rate is reduced from 7% to 6.875% on and after January 1, 2017 and the tax rate decreased to 6.625% on and after January 1, 2018. *L.* 2016, *c.* 57.

As of October 1, 2006, the scope of the SUT 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; and 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. The imposition of sales and use tax on limousine transportation services is repealed. *L.* 2017, *c.* 27.

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.

Under the Brownfields Reimbursement Program, the State provides cash payments to developers in an amount equivalent to 75% of the estimated costs of remediation of a contaminated site from new incremental sales and other taxes paid to the State from the project site. The grant payments are made after completion of the project and subject to receipt of taxes over a maximum period stated in the agreement. There is no cap on the Brownfields Reimbursement program. There is also a program for the remediation of municipal landfills in which eligible developers under redevelopment agreements negotiated with the State may receive reimbursement of 75% of the costs of closure and remediation of municipal solid waste landfills after the sites are redeveloped, from one half of the sales tax collected on non-exempt sales generated from businesses located on the sites. *L.* 1996, *c.* 124.

Article VIII, Section II of the State Constitution provides for the dedication of up to $98 million annually from sales tax revenues for open space, farmland and historic preservation commencing on July 1, 1999 and the dedication of and not less than $200 million annually for credit to the Transportation Trust Fund Account in the General Fund to be used to fund improvements to the State's transportation infrastructure.

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.

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.

Effective November 1, 2018, following the U.S. Supreme Court decision in *South Dakota v. Wayfair*, in which the Court determined that physical presence within a state was not a prerequisite for the collection of sales tax, *L.* 2018, *c.* 132 established sales tax nexus for remote sellers. Nexus is established when a seller makes $100,000 in taxable sales or 200 or more separate transactions into the State in a calendar year or in a prior year and the seller must collect the tax. A "marketplace facilitator" now has sales tax collection and reporting requirements. A "marketplace facilitator" means any person or business who provides a forum to a retailer to advertise, promote, and list the retailer's products and who also collects receipts from the customer and remits payment to the seller.

Commercial redevelopment projects qualifying under the ERG program are eligible for funding of up to 20% of the total cost of the project. *L.* 2009, *c.* 90. The funds are paid to the developer out of incremental tax revenue from the project, which is primarily SUT, but also includes various other taxes. The payments are made from up to 75% of incremental tax revenue (85% in a Garden State Growth Zone) over a period of up to twenty years. The ERG program expired on July 1, 2019, and no new applications are being accepted, except applications in certain circumstances will be accepted from a developer of a qualified residential project or a mixed used parking project until December 31, 2021.

Exemptions from the SUT 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 for distribution to out-of-State recipients 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 subsidiaries; 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 Federal Communications Commission; coin-paid charges for coin-operated telecommunications devices; and property used directly and primarily on farms. The SUT on receipts from certain retails sales 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, is reduced by 50%. *L.* 1993, *c.* 373. Sales and leases of new and used boats and other vessels are exempt to the extent of 50% of the tax imposed under the SUT Act, with a cap of $20,000 on the total tax. *L.* 2015, *c.* 170. In addition, out-of-state boats operated and registered lawfully can be used in New Jersey in a non-commercial manner for up to 30 days per year without incurring use tax. Sales of materials integral to sand casting processes and operations are now exempt from SUT. *L.* 2019, *c.* 98. Receipts from the sale or use of energy and utility service to or by a recovered materials manufacturing facility for use or consumption directly and primarily in the production of tangible personal property is exempt from SUT for a period of seven years. *L.* 2019, *c.* 437.

Social Equity Excise Fee

A Social Equity Excise Fee is imposed on the cultivation of cannabis by any cannabis cultivator based on the receipts from the sale, or equivalent value of the transfer, of usable cannabis by a cannabis cultivator to any other cannabis establishment other than another cannabis cultivator. Any sale by a cannabis cultivator for which the excise fee is imposed pursuant to this section shall be exempt from the Sales Tax. *L.* 2021, *c.* 16. The fee is calculated at 1/3 of 1% of the Statewide average retail price of an ounce and any fractional portion of an ounce sold or transferred shall be subject to the fee on a proportional basis. *L.* 2021, *c.* 16. Beginning nine months following the first sale or transfer of usable cannabis subject to the excise fee, the excise fee may be adjusted annually based upon the Statewide average retail price of usable cannabis for consumer purchase as follows: (1) up to $10 per ounce, as established by the commission, if the average retail price of an ounce of usable cannabis was $350 or more; (2) up to $30 per ounce, as established by the commission, if the average retail price of an ounce of usable cannabis was less than $350 but at least $250; (3) up to $40 per ounce, as established by the commission, if the average retail price of an ounce of usable cannabis was less than $250 but at least $200; and (4) up to $60 per ounce, as established by the commission, if the average retail price of an ounce of usable cannabis is less than $200. *L.* 2021, *c.* 16. Sales or transfers of usable cannabis by a cannabis cultivator to a licensed medical cannabis alternative treatment center for use in medical cannabis dispensing is not subject to the excise fee. *L.* 2021, *c.* 16. If a sale is subject to a municipal transfer tax or user tax it is exempt from the Sales Tax. *L.* 2021, *c.* 16.

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 nonresident 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 after December 31, 2001, but before January 1, 2018, 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.

The New Jersey Estate Tax exemption will increase from $675,000 to $2 million for the estates of resident decedents dying on or after January 1, 2017, but before January 1, 2018. For these estates, the New Jersey Estate Tax no longer conforms to the provisions of the federal Internal Revenue Code of 1986 in effect on December 31, 2001, and instead follows the current federal Internal Revenue Code for determining the value of the estate which will be subject to New Jersey Estate Tax. *L*. 2016, *c*. 57.

New Jersey Estate Tax was reduced to zero percent and is not imposed on transfers of estates of resident decedents dying on or after January 1, 2018. *L*. 2016, *c*. 57.

APPENDIX II

COPY OF THE 2012 TRANSPORTATION PROGRAM BOND RESOLUTION

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NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

2012 TRANSPORTATION PROGRAM BOND RESOLUTION

ADOPTED OCTOBER 26, 2012

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2012 TRANSPORTATION PROGRAM BOND RESOLUTION

ADOPTED OCTOBER 26, 2012

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

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

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

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

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

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

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

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

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

NOW THEREFORE BE IT RESOLVED by the Authority as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

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

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

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

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

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

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

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

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

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

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

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

Authorized Officer of the Authority shall mean the Chairperson, Vice-Chairperson, Treasurer, Secretary or Executive Director of the Authority or any other person or persons designated by the Authority by resolution to act on behalf of the Authority under the Resolution. The designation of such person or persons shall be evidenced by a written, certificate containing the specimen signature of such person or persons and signed on behalf of the Authority by an Authorized Officer of the Authority.

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

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

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

Bond Registrar shall mean the Trustee and any other bank or trust company organized under the laws of any state of the United States of America or national banking association appointed by the Authority to perform the duties of Bond Registrar enumerated in Sections 304 and 703.

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

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

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

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

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

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

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

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

Defeasance Securities shall mean (i) any direct and general obligations of, or any obligations unconditionally guaranteed by, the United States of America, including but not limited to interest obligations of the Resolution Funding Corporation or any successor thereof, (ii) any obligations of any state or political subdivision of a state ("Refunded Bonds") which are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of the Refunded Bonds, (iii) certificates of ownership of the principal or interest of direct and general obligations of, or obligations guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System, (iv) obligations described in clause (ii) of the definition of "Investment Securities" and (v) obligations described in clause (x) of the definition of "Investment Securities" which are rated, at the time of purchase, in the highest rating category, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds.

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

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

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

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

Financing Facility shall mean any revolving credit agreement, agreement establishing a line of credit or letter of credit, reimbursement agreement, interest rate exchange agreement, insurance contract, surety bond, commitment to purchase or sell bonds, purchase or sale agreement, or commitments or other contracts or agreements and other security agreements, including Swap Agreements and Liquidity Facilities, approved by the Authority in connection with the Bonds.

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

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

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

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

Fitch shall mean Fitch, Inc.

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

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

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

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

Investment Securities shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds.

(i) Defeasance Securities;

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

(iii) Bonds, debentures notes or other evidences of indebtedness issued by any corporation chartered by the United States, including, but not limited to, Governmental National Mortgage Association, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Resolution Funding Corporation, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;

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

(v) Uncollateralized negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, the unsecured obligations of which are rated, at the time of purchase, in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies;

(vi) Repurchase agreements collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated in one of the two highest rating categories, without regard to rating sub-categories, by any tow Rating Agencies, or any commercial bank with the above ratings, provided:

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

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

Financing Facility Provider, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

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

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

(e) the repurchase agreement matures or may be drawn upon in full on or before a Payment Date (or, if held in a Fund other than the Program Debt Service Fund, other appropriate liquidation period), and

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

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

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

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

(x) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds;

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

(xii) Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is then rated in any of the three highest rating categories by each Rating Agency which is then rating the Bonds or money market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof which has a combined capital and surplus of not less than $75,000,000;

(xiii) Investment contracts (a) providing for the future purchase of securities of the type described in (i), (ii), (iii) and (viii) above, which contracts have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction or (b) the obligor under which or the guarantor thereof shall have a credit rating such that its long term debt is rated in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds;

(xiv) Investment Agreements; and

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

Legislature shall mean New Jersey State Legislature.

Liquidity Facility shall mean any letter of credit, line of credit or standby loan commitment or similar arrangement made available to fund repurchases of Variable Interest Rate Bonds or Subordinated Debt upon maturity or mandatory or optional tender of such obligations, approved by the Authority in connection with the Variable Interest Rate Bonds; such Liquidity Facility may be part of, or separate from, any other Financing Facility supporting such obligations.

Liquidity Provider shall mean the issuer of a Liquidity Facility.

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

Month shall mean a calendar month.

Moody's shall mean Moody's Investors Service.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Series shall mean all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Resolution authorizing such Bonds as a separate Series of Bonds and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 406 or Section 1106, regardless of variations in maturity, interest rate, redemption provisions or other provisions.

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

State shall mean the State of New Jersey.

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

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

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

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

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

Swap Agreement shall mean any agreement between the Authority and a Swap Provider confirming a transaction which is a rate swap transaction, basis swap, forward rate transaction, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, corridor transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of these transactions, approved by the Authority and the Treasurer in connection with the Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 103. Resolution to Constitute Contract.

(a) In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time the Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the Bonds; and the security interest granted and the pledge and assignment made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, all except as expressly provided in or permitted by the Resolution.

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

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

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS AND SUBORDINATED DEBT

SECTION 201. Authorization of Bonds.

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

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

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

SECTION 202. General Provisions for Issuance of Bonds.

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

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

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

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

(3) An Opinion of Bond Counsel to the effect that (i) the Authority has the right and power under the Act to adopt the Resolution, to enter into the State Contract and to issue the Bonds of such Series; (ii) the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Resolution is required; (iii) the Resolution creates the valid pledge which it purports to create of the Pledged Property; (iv) the Bonds of such Series have been duly and validly authorized and issued by the Authority in accordance with the Constitution and the statutes of the State, including the Act, and the Resolution, constitute valid and binding obligations of the Authority as provided in the Resolution and are entitled to the benefits of the Resolution and the Act, and are enforceable in accordance with their terms and the

terms of the Resolution; (v) the State Contract is in full force and effect and is valid and binding upon the Authority and the Treasurer and enforceable against the Authority and the Treasurer in accordance with its terms, and the Bonds of such Series are entitled to the benefits of the State Contract; provided, that such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity affecting creditors' rights generally and judicial discretion and may state that no opinion is being rendered as to the availability of any particular remedy;

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

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

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

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

2. After the original issuance of Bonds of any Series no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Article III or Section 406 or Section 1106.

SECTION 203. Refunding Bonds.

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

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

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

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

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

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

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

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

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS AND OTHER OBLIGATIONS

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

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

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

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

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

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

SECTION 303. Execution and Authentication.

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

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

SECTION 304. Exchange, Transfer and Registry.

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

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

3. The Authority and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of the Authority as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for the payment of the purchase price of any Option Bond tendered to the Authority and for all other purposes, and all such payments so made to any such registered owner or upon such registered owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary.

SECTION 305. Regulations with Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging or transferring Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Resolution. All Bonds surrendered in any such exchange or transfer shall forthwith be delivered to the Trustee and cancelled by the Trustee. For every such exchange or transfer of

Bonds whether temporary or definitive, the Authority or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Authority nor the Bond Registrar shall be required (a) to exchange or transfer Bonds of any Series for a period beginning on the Record Date next preceding an Interest Payment Date for Bonds of a particular Series and ending on such Interest Payment Date, or for a period of fifteen days next preceding the date (as determined by the Trustee) of any selection of Bonds to be redeemed and thereafter until after the mailing of the notice of redemption, (b) to transfer or exchange any Bonds called for redemption or (c) to transfer or exchange any Option Bonds called for mandatory purchase.

SECTION 306. Bonds Mutilated, Destroyed, Stolen or Lost. If any Bond becomes mutilated or is lost, stolen or destroyed, the Authority may execute and the Trustee shall authenticate and deliver a new Bond of like Series, date of issue, maturity date, principal amount and interest rate per annum as the Bond so mutilated, lost, stolen or destroyed, provided that (i) in the case of such mutilated Bond, such Bond is first surrendered to the Authority, (ii) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to the Authority together with indemnity satisfactory to the Authority and the Trustee (iii) all other reasonable requirements of the Authority are complied with, and (iv) expenses in connection with such transaction are paid by the Holder. Any Bond surrendered for transfer shall be cancelled. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Authority, whether or not the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under the Resolution, in any moneys or securities held by the Authority or any Fiduciary for the benefit of the Bondholders.

SECTION 307. Temporary Bonds.

1. Until the definitive Bonds of any Series are prepared, the Authority may execute, in the same manner as is provided in Section 303, and upon the request of the Authority, the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions limitations and conditions as the definitive Bonds, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Authority at its own expense shall prepare and execute and, upon the surrender of such temporary Bonds for exchange and the cancellation of such surrendered temporary Bonds, the Trustee shall authenticate and, without charge to the Holder thereof, deliver in exchange therefor, definitive Bonds of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to the Resolution.

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

SECTION 308. Other Obligations. The general terms and provisions of any Other Obligations issued under this Resolution, including, but not limited to, any or all of the items set forth in this Article III with respect to the issuance of Bonds shall be as set forth in the Supplemental Resolution or Series Certificate authorizing the issuance of such Other Obligations.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to a Supplemental Resolution or a Series Certificate shall be redeemable, upon notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms in addition to the terms contained in this Article IV as may be specified in the Supplemental Resolution or Series Certificate authorizing such Series.

SECTION 402. Redemption at the Election or Direction of the Authority. In the case of any redemption of Bonds at the election or direction of the Authority, the Authority shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity (and, if applicable, interest rate within a maturity) of such Series to be redeemed (which Series, maturities, if applicable, interest rate within a maturity, and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution). Such notice shall be given at least forty (40) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 405 provided, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed. The Authority shall promptly notify the Trustee in writing of all such payments by it to such Paying Agents.

SECTION 403. Redemption Otherwise Than at the Authority's Election or Direction. Whenever by the terms of the Resolution the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the Authority, the Trustee shall (i) select the Bonds or portions of Bonds to be redeemed, (ii) give the notice of redemption and (iii) pay out of moneys available therefor the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Article IV and, to the extent applicable, Sections 506 and 507.

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

SECTION 405. Notice of Redemption. When the Trustee shall receive notice from the Authority of its election or direction to redeem Bonds pursuant to Section 402, and when redemption of Bonds is authorized or required pursuant to Section 403, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall specify the Series and maturities (and, if applicable, interest rate within a maturity) of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, postage prepaid, not less than twenty-five (25) days (or such other period as may be specified in the Supplemental Resolution or Series Certificate authorizing the Bonds to be redeemed) prior to the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure of the registered owner of any Bonds which are to be redeemed to receive any notice shall not affect the validity of the proceedings for the redemption of the Bonds.

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

SECTION 406. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 405, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Bond, the Authority shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series and maturity in any authorized denominations. If, on the redemption date, moneys for the redemption of all of the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

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

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

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

ARTICLE V

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

SECTION 501. The Pledge Effected by the Resolution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 504. Payments Into Certain Funds.

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

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

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

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

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

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

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

SECTION 505. Program Debt Service Fund.

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

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

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

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

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

SECTION 506. [Reserved].

SECTION 507. Program Subordinated Debt Fund.

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

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

SECTION 508. Authority Program Reserve Fund.

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

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

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

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

SECTION 511. Subordinated Debt.

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VI

DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

SECTION 601. Depositories.

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

2. Each Depository shall be a bank or trust company organized under the laws of any state of the United States or a national banking association having capital stock, surplus and undivided earnings of $75,000,000 or more and willing and able to accept the office on

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

SECTION 602. Deposits.

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

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

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

SECTION 603. Investment of Certain Funds.

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

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

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

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

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

SECTION 604. Valuation and Sale of Investments.

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

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

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

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

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

ARTICLE VII

PARTICULAR COVENANTS OF THE AUTHORITY

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

SECTION 701. Payment of Bonds. The Authority shall duly and punctually pay or cause to be paid, but solely from the Pledged Property, (a) the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and (b) the amount of every Financing Facility Payment Obligation as and when the same become due.

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

SECTION 703. Offices for Servicing Bonds. The Authority shall at all times maintain one or more agencies in the State, and may maintain one or more such agencies in any other state or states, where Bonds may be presented for payment. The Authority hereby appoints the Trustee as Bond Registrar and the Trustee shall at all times maintain one or more agencies where Bonds may be presented for registration or transfer and where notices, demands and other documents may be served upon the Authority in respect of the Bonds or of the Resolution, and the Trustee shall continuously maintain or make arrangements to provide such services. The Authority hereby appoints the Paying Agent or Agents in such cities as its respective agents to maintain such agencies for the payment or redemption of Bonds.

SECTION 704. Further Assurance. At any and all times the Authority shall, as far as it may be authorized by law, comply with any reasonable request of the Trustee to pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and other moneys, securities and funds hereby pledged, or intended so to be, or which the Authority may become bound to pledge.

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

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

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

SECTION 708. Accounts and Reports.

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

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

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

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

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

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

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES OF BONDHOLDERS

SECTION 801. Events of Default.

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

(i) if default shall be made in the payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;

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

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

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

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

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

2. NOTWITHSTANDING ANYTHING CONTAINED IN THIS SECTION 801 TO THE CONTRARY, A FAILURE BY THE AUTHORITY TO PAY WHEN DUE ANY BOND PAYMENT OBLIGATIONS, SWAP PAYMENT OBLIGATIONS OR FINANCING FACILITY PAYMENT OBLIGATIONS REQUIRED TO BE MADE UNDER THIS RESOLUTION OR THE BONDS, OR A FAILURE BY THE AUTHORITY TO OBSERVE AND PERFORM ANY COVENANT, CONDITION OR AGREEMENT ON ITS PART TO BE OBSERVED OR PERFORMED UNDER THIS RESOLUTION OR THE BONDS, RESULTING FROM THE OCCURRENCE OF AN EVENT OF NON-APPROPRIATION SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THIS SECTION 801.

SECTION 802. Remedies.

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

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

SECTION 803. Accounting and Examination of Records After Default.

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

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

SECTION 804. Application of Pledged Property After Default.

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

2. If an Event of Default shall occur and be continuing, the Trustee shall apply the Pledged Property, including all moneys, securities, funds and Revenues received by the Trustee pursuant to any right given or action taken under the provisions of this Article, together with all Funds held by the Trustee under the Resolution (other than the Program Rebate Fund and the Proceeds Account of the Transportation Program Improvement Fund), as follows and in the following order of priority:

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

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

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

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

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

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

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

4. If and whenever all overdue installments of principal or Redemption Price of, and interest on, all Bonds and Financing Facility Payment Obligations, together with the reasonable and proper charges, fees (including reasonable attorneys' fees), expenses and liabilities of the Trustee, and all other sums payable by the Authority under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable, shall either be paid by or for the account of the Authority, or provisions satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee shall be restored, respectively, to their former positions and rights under the Resolution. No such payment over to the Authority by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

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

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

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

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

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

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

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

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

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

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

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

If and whenever all overdue installments of principal or Redemption Price of, and interest on, all Bonds and Financing Facility Payment Obligations, together with the reasonable and proper charges, fees (including reasonable attorneys' fees), expenses and liabilities of the Trustee, and all other sums payable by the Authority under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable, shall either be paid by or for the account of the Authority, or provisions satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee shall be restored, respectively, to their former positions and rights under the Resolution. No such payment over to the Authority by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent Event of Nonappropriation under the Resolution or impair any right consequent thereon.

SECTION 806. Proceedings Brought by Trustee.

1. If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Holders of the Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution

2. All rights of action under the Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof at the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

3. The Holders of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

4. Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Resolution and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

5. Regardless of the occurrence and continuation of an Event of Default, the Trustee shall have power to but, unless requested in writing by the Holders of twenty-five percent (25%) in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

SECTION 807. Restrictions on Bondholder's Action.

1. No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the

execution of any trust under the Resolution or for any remedy under the Resolution, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default, as provided in this Article, and the Holders of at least twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Resolution or by the Act or by the laws of the State or to institute such action suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, fees (including reasonable attorney's fees), expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, her, its or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 702.

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

SECTION 808. Remedies Not Exclusive. No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution.

SECTION 809. Effect of Waiver and Other Circumstances.

1. No delay or omission of the Trustee or any Bondholder to exercise any right or power arising upon the occurrence of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Trustee or to the Bondholders may be executed from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

2. The Holders of not less than a majority in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Holders of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 810. Notice of Default. The Trustee shall promptly mail written notice of the occurrence of any Event of Default to each registered owner of Bonds then Outstanding at such registered owner's address, if any, appearing upon the registry books of the Authority and to the Authority and each Financing Facility Provider.

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

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

ARTICLE IX

CONCERNING THE FIDUCIARIES

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

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

1. The Authority shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents. All Paying Agents appointed shall have the qualifications set forth in Section 913 for a successor Paying Agent. The Trustee may be appointed a Paying Agent.

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

3. Unless otherwise provided, the principal corporate trust offices of the Paying Agents are designated as the respective offices or agencies of the Authority for the payment of the interest on and principal or Redemption Price of the Bonds.

SECTION 903. Responsibilities of Fiduciaries.

1. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the

Resolution or of any Bonds issued thereunder or as to the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of the Resolution to the Authority or any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of subsection 2 of this Section 903, no Fiduciary shall be liable in connection with the performance of its duties hereunder, except for its own negligence, misconduct or default.

2. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by Resolution, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Any provision of the Resolution relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section 903 and Section 904.

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

SECTION 904. Evidence on Which Fiduciaries May Act.

1. Each Fiduciary, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of the Resolution, shall examine such instrument to determine whether it conforms to the requirements of the Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

2. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Authority, and such certificate shall be full warrant for any action taken or suffered in good faith under the

provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

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

SECTION 905. Compensation.

1. The Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including without limitation those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution, in accordance with the agreements made from time to time between the Authority and the Fiduciary.

2. The Authority hereby agrees to the extent permitted by law to reimburse each Fiduciary for any and all claims, damages, losses, liabilities, costs or reasonable expenses whatsoever which such Fiduciary may incur in connection with the performance by such Fiduciary of its obligations under the Resolution; provided, however, that the Authority shall not be required to reimburse any Fiduciary for any claims damages, losses, liabilities, costs or expenses caused in whole or in part by such Fiduciary's negligence, bad faith, breach of contract or misconduct arising out of or as a result of such Fiduciary's performing its obligations under the Resolution or undertaking any transaction contemplated by the Resolution; and further provided, that the foregoing is subject to the limitations of the provisions of the New Jersey Tort Claims Act, N.J.S.A. 59:2-1 et seq. and the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq.

3. Each Fiduciary, by accepting its appointment as such under the Resolution, agrees that such Fiduciary (i) shall give the Authority prompt notice in writing of any actual or potential claim described above, and the institution of any suit or action; (ii) shall not adjust, settle or compromise any such claim, suit or action without the consent of the Authority; and (iii) shall permit the Authority, at the Authority's sole discretion, to assume full control of the adjustment, settlement, compromise or defense of each such claim, suit or action.

4. While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq. is not applicable by its terms to claims arising under contracts with the Authority, each Fiduciary, by accepting its appointment as such under the Resolution, agrees that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims against the Authority arising under this Section 905.

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

SECTION 906. Certain Permitted Acts. Any Fiduciary, individually or otherwise, may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization arising out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

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

SECTION 908. Removal of the Trustee. The Trustee may be removed at any time with or without cause by an instrument or concurrent instruments in writing filed with the Trustee and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority. In addition, so long as no Event of Default, or an event which, with notice or passage of time, or both, would become an Event of Default, shall have occurred and be continuing, the Trustee may be removed at any time with or without cause by a resolution of the Authority filed with the Trustee.

SECTION 909. Appointment of Successor Trustee.

1. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor Trustee may be appointed by the Authority by a duly executed written instrument signed by an Authorized Officer of the Authority, but if the Authority does not appoint a successor Trustee within sixty (60) days then by the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee. After such appointment of a successor Trustee, the Authority shall mail notice of any such appointment by it or the Bondholders to the registered owners of the Bonds then Outstanding.

2. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within one hundred twenty (120) days after the Trustee shall have given to the Authority written notice as provided in Section 907 or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, removal, or for any other reason whatsoever, the Trustee (in the case of its resignation under Section 907) or the Holder of any Bond (in any case) may apply to any court of competent jurisdiction to appoint a successor

Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

3. Any Trustee appointed under the provisions of this Section 909 in succession to the Trustee shall be a bank or trust company organized under the laws of any state or a national banking association and shall have capital stock, surplus and undivided earnings aggregating at least $75,000,000 if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

SECTION 910. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee, but the Trustee ceasing to act shall nevertheless, on the written request of the Authority or of the successor Trustee, execute, acknowledge and deliver such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property, rights, interests and estates held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee.

SECTION 911. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by the Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

SECTION 912. Adoption of Authentication. In case any of the Bonds contemplated to be issued under the Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in the Resolution provided that the certificate of the Trustee shall have.

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

1. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days written notice to the Authority, the Trustee and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Authority. Any successor Paying Agent shall be appointed by the Authority with the approval of the Trustee and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock, surplus and undivided earnings aggregating at least $75,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

2. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

ARTICLE X

SUPPLEMENTAL RESOLUTIONS

SECTION 1001. Supplemental Resolutions Effective Upon Filing with the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the Authority may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority, shall be fully effective in accordance with its terms:

(1) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Article II and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

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

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

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

(5) To authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of Bonds issued and held in book-entry form on the books of the Authority and Fiduciary or custodian appointed for that purpose by the Authority and, in connection therewith, make such additional changes herein as are necessary or appropriate to accomplish or recognize such book-entry form Bonds, substitute for any such Fiduciary or custodian, provide for in, and amend any provisions in, the Resolution relating to the giving of notice, and specify and determine the matters and things relative to the issuance of such book-entry form Bonds as are appropriate or necessary;

(6) To confirm, as further assurance, any pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, the Resolution of the Pledged Property and to pledge any additional revenues, moneys, securities, Financing Facilities or other agreements;

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

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

SECTION 1002. Supplemental Resolutions Effective Upon Consent of Trustee. For any one or more of the following purposes and at any time or from time to time a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority, and (ii) the filing with the Authority of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) To cure any ambiguity, supply any omission, or correct any defect or inconsistent provision in the Resolution; or

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

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

SECTION 1004. General Provisions.

1. The Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article X and Article XI. Nothing contained in this Article X or Article XI shall affect or limit the right or obligation of the Authority to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 704 or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which elsewhere in the Resolution it is provided shall be delivered to said Fiduciary.

2. Any Supplemental Resolution referred to and permitted or authorized by Sections 1001 and 1002 may be adopted by the Authority without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution when filed with the Trustee shall be accompanied by an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms subject to any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally.

3. The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 1001,1002 or 1003 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

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

ARTICLE XI

AMENDMENTS

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

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

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

SECTION 1103. Consent of Bondholders. The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 1102 to take effect when and as provided in this Section 1103. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Authority to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section 1103 provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Bonds specified in Section 1102, (b) the written consent of any Financing Facility Provider the consent of which is required pursuant to the applicable Financing Facility and (c) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, subject to any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally, and (ii) a notice shall have been given as hereinafter in this Section 1103 provided. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. A certificate or certificates executed by the Trustee and filed with the Authority stating that it has examined such proof and that such proof is sufficient in accordance with Section 1202 shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 1202 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section 1103 provided for is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1202 hereof. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Authority to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section 1103, may be given to Bondholders by the Authority by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section 1103 provided). The Authority shall file with the Trustee proof of the mailing thereof. A record, consisting of the certificates or statements required or permitted by this Section 1103 to be made by the Trustee shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Fiduciaries and the Holders of all Bonds at the expiration of forty (40) days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that any Fiduciary and the Authority during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

SECTION 1104. Modifications by Unanimous Consent. The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Resolution and the consent of (a) the Holders of all of the Bonds then Outstanding, and (b) any Financing Facility Provider the consent of which is required by the applicable Financing Facility, such consents to be given as provided in Section 1103 except that no notice to Bondholders shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders.

SECTION 1105. Exclusion of Bonds. Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article XI, and the Authority shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article the Authority shall furnish the Trustee a certificate of an Authorized Officer of the Authority upon which the Trustee may rely, describing all Bonds so to be excluded.

SECTION 1106. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article X or this Article XI provided may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the principal corporate trust office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If the Authority or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Authority to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

ARTICLE XII

MISCELLANEOUS

SECTION 1201. Defeasance.

1. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds and Subordinated Debt, if any, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and Subordinated Debt, if any, and in the Resolution, then the pledge of the Pledged Property, any Revenues, and other moneys and securities pledged under the Resolution and all covenants, agreements and other obligations of the Authority to the Bondholders shall thereupon cease terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Authority the Pledged Property, including all moneys or securities held by them pursuant to the Resolution which are not required for the payment of principal or Redemption Price, if applicable, and interest on Bonds not theretofore surrendered for such payment or redemption. If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Holders of the Outstanding Bonds of a particular Series, or of a particular maturity or particular Bonds within a maturity within a Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and

obligations of the Authority to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

2. Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section. Subject to the provisions of subsection 3 through subsection 6 of this Section, any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions to mail as provided in Article IV notice of redemption of such Bonds (other than Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of redemption) on said date, (b) there shall have been deposited with the Trustee either moneys (including moneys withdrawn and deposited pursuant to subsection 2 of Section 505 and subsection 4 of Section 506) in an amount which shall be sufficient, or Defeasance Securities (including any Defeasance Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee irrevocable instructions to mail a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 1201 and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of subsection 6 of this Section 1201, to be available for the payment of the principal or Redemption Price, if applicable, of and accrued and unpaid interest on said Bonds (other than Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of the notice of redemption referred to in clause (a) hereof). Any notice of redemption mailed pursuant to the preceding sentence with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond. The Trustee shall, as and to the extent necessary, apply moneys held by it pursuant to this Section 1201 to the payment when due of the principal or Redemption Price of and interest on such Bonds, all in the manner provided in the Resolution. The Trustee shall, if so directed by the Authority (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1201 which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (a) above with respect to any Bonds deemed to have been paid in accordance with this Section 1201 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect of such Bonds and redeem or sell Defeasance Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the moneys and Defeasance Securities

remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the principal or Redemption Price, if applicable, of, and interest due or to become due on all Bonds, in respect of which such moneys and Defeasance Securities are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be. If, at any time (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1201 which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (a) with respect to any Bonds deemed to have been paid in accordance with this Section 1201 which are to be redeemed on any date prior to their maturity, the Authority shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered; such delivery of Bonds to the Trustee shall be accompanied by directions from the Authority to the Trustee as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or redeem Bonds deemed paid in accordance with this Section 1201. The directions given by the Authority to the Trustee referred to in the preceding sentence shall also specify the portion if any of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section 1201 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section 1201 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section 1201 the total amount of moneys and Defeasance Securities remaining on deposit with the Trustee under this Section 1201 is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Bonds in order to satisfy subclause (b) of this subsection 2 of Section 1201, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Resolution. Except as otherwise provided in this subsection 2 of Section 1201 and in subsection 3 through subsection 6 of this Section 1201, neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section 1201 nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Resolution. For the purposes of this Section, Defeasance Securities shall mean and include only (A) Defeasance Securities which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof, (B) Defeasance Securities as to which an irrevocable notice of redemption of such securities has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the Holder thereof, or (C) upon compliance with the provisions of subsection 4 of this Section 1201, Defeasance Securities which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

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

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

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

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

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

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

pledge, and provided, further that any Defeasance Securities may be sold, transferred, redeemed or otherwise disposed of and the proceeds thereof applied to the purchase of other Defeasance Securities of the type permitted for this purpose, the principal of and interest on which, when due, together with moneys and other Defeasance Securities then held by the Trustee for such purpose, shall be sufficient to make the payments set forth in subsections (a)(i) and (ii). Notwithstanding the defeasance of any Bonds and discharge of the lien of the Resolution pursuant to this Section 1201, during the term of any Swap Agreement for which Related Swap Bonds have been defeased, the Trustee shall, subject to the foregoing provisions of this Section 1201, hold and apply (i) the Defeasance Securities deposited with it pursuant to this Section 1201 as provided in Section 505, and (ii) all payments from the Swap Provider under the applicable Swap Agreement as Swap Revenues pursuant to Section 506. If any portion of the moneys deposited with the Trustee for the payment of the amounts set forth in subsection (a) above is not required for such purpose, the Trustee shall pay the amount of such excess as the Authority shall direct in writing.

9. Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority the Fiduciary shall, at the expense of the Authority, cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

10. Any Subordinated Debt shall be defeased in the manner and subject to the terms and conditions set forth in the Supplemental Resolution or other resolution of the Authority authorizing the issuance thereof.

SECTION 1202. Evidence of Signatures of Bondholders and Ownership of Bonds.

1. Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of any instrument appointing any such attorney, or (ii) the holding by any person of the Bonds shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(a) The fact and date of the execution by any Bondholder or such Bondholder's attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature, guarantee, certificate or affidavit shall also constitute sufficient proof of his authority.

(b) The amount of Bonds transferable by delivery held by any person executing any instrument as a Bondholder, the date of such person's holding such Bonds, and the numbers and other identification thereof, may be proved by a certificate, which need not be acknowledged or verified, in form satisfactory to the Trustee, executed by the Trustee or by a member of a financial firm or by an officer of a bank, trust company, insurance company, or financial corporation or other depository wherever situated, showing at the date therein mentioned that such person exhibited to such member or officer or had on deposit with such depositary the Bonds described in such certificate. Such certificate may be given by a member of a financial firm or by an officer of any bank, trust company, insurance company or financial corporation or depositary with respect to Bonds owned by it, if acceptable to the Trustee. In addition to the foregoing provisions, the Trustee may from time to time make such reasonable regulations as it may deem advisable permitting other proof of holding of Bonds transferable by delivery.

2. The ownership of Bonds registered otherwise than to bearer and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

3. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Authority or any Fiduciary in accordance therewith.

SECTION 1203. Moneys Held for Particular Bonds. The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

SECTION 1204. Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of the Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, any other Fiduciary, and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

SECTION 1205. Parties Interested Herein. Nothing in the Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Authority, the Fiduciaries, the Holders of the Bonds, any Financing Facility Providers and the holders of any Subordinated Debt, any right, remedy or claim under or by reason of the Resolution or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in the Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Fiduciaries, the Holders of the Bonds, any Financing Facility Provider and the holders of any Subordinated Debt.

SECTION 1206. No Recourse on the Bonds. No recourse shall be had for the payment of the principal of or interest on the Bonds, the Financing Facility Payment Obligations or the principal of or interest on any Subordinated Debt for any claim based thereon or on the Resolution against any member or officer of the Authority or any person executing the Bonds, any Financing Facility or any instrument evidencing Subordinated Debt.

SECTION 1207. Publication of Notice; Suspension of Publication.

1. Any publication to be made under the provisions of the Resolution in successive weeks or on successive weeks or on successive dates may be made in each instance upon any business day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications, but may be made in a different Authorized Newspaper.

2. If, because of the temporary or permanent suspension of the publication or general circulation of any Authorized Newspaper or for any other reason, it is impossible or impractical to publish any notice pursuant to the Resolution in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

SECTION 1208. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in the Resolution on the part of the Authority or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of the Resolution.

SECTION 1209. Holidays. Except with respect to the computation of a Record Date, if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Resolution, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Trustee or the operational office of the Authority are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed with the same force and effect as if done on the nominal date provided in the Resolution, and no interest shall accrue for the period after such nominal date.

SECTION 1210. Capital Appreciation Bonds; Convertible Capital Appreciation Bonds. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond or Convertible Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond or Convertible Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, as provided in Sections 801 and 802 of the Resolution, or (iii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond or Convertible

Capital Appreciation Bond in giving to the Authority or the Trustee any notice, consent, request or demand pursuant to the Resolution for any purpose whatsoever, or (iv) determining whether any Capital Appreciation Bond or Convertible Capital Appreciation Bond has been paid or deemed to have been paid pursuant to Section 1201 of the Resolution, the principal amount of a Capital Appreciation Bond or Convertible Capital Appreciation Bond shall be deemed to be its Accreted Value or Appreciated Value, respectively.

ARTICLE XIII

BOND FORM AND EFFECTIVE DATE

SECTION 1301. Form of Bonds, Trustee's Certificate of Authentication. Subject to the provisions of the Resolution, the form of Bonds of each Series and the Trustee's Certificate of Authentication shall be in substantially the following tenor with such variations, omissions and insertions as are required or permitted by the Resolution:

[FORM OF FULLY REGISTERED BOND]

Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO., or any other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to CEDE & CO., or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, CEDE & CO., has an interest herein.

UNITED STATES OF AMERICA
STATE OF NEW JERSEY

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

TRANSPORTATION PROGRAM BONDS, SERIES ______

THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE SERIES _ BONDS ARE PAYABLE SOLELY FROM THE PLEDGED PROPERTY (AS DEFINED IN THE RESOLUTION) AND NEITHER THE STATE OF NEW JERSEY NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION, IS OBLIGATED TO PAY THE

PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND AND THE ISSUE OF WHICH IT IS ONE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND OR THE ISSUE OF WHICH IT IS ONE. THE AUTHORITY HAS NO TAXING POWER.

No. R-__

Interest Rate	Maturity Date	Dated Date	Authentication Date	CUSIP
%				

Registered Owner:

Principal Sum: Dollars

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY (the "Authority"), a public body corporate and politic and an instrumentality of the State of New Jersey created and existing under the laws of the State of New Jersey acknowledges itself indebted to and for value received hereby promises to pay to, the Registered Owner stated hereon or registered assigns, on the Maturity Date stated hereon, but solely from the funds pledged therefor, upon presentation and surrender of this bond at the corporate trust office of ____________________ (such bank and any successors thereto being herein called the "Paying Agent"), the Principal Sum stated hereon in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay from such pledged funds on _________ and __________, in each year, commencing, until the Authority's obligation with respect to the payment of such Principal Sum shall be discharged to the Registered Owner hereof, interest from the Dated Date hereof on such Principal Sum by check of the Trustee hereinafter mentioned mailed to such Registered Owner who shall appear as of the fifteenth (15th) day (or if such day shall not be a Business Day, the preceding Business Day) next preceding such interest payment date on the books of the Authority maintained by the Bond Registrar.

This bond is one of a duly authorized series of bonds of the Authority designated Transportation Program Bonds, Series _______ (herein called the "Series ______ Bonds"), in the aggregate principal amount of $________, issued under and in full compliance with the Constitution and Statutes of the State of New Jersey, and particularly Chapter 73 of the Laws of New Jersey, 1984 as amended and supplemented, including without limitation, by L. 2012, c.13 (herein called the "Act"), and under and pursuant to a Resolution adopted by the Authority on October 26, 2012 entitled "2012 Transportation Program Bond Resolution" and a supplemental resolution of the Authority authorizing the Series _____ Bonds [and a Series Certificate duly executed by an Authorized Officer of the Authority on ________] (said Resolution as supplemented [and together with said Series Certificate] being herein called the "Resolution").

As provided in the Resolution, the Series _____ Bonds, and all other bonds issued under the Resolution on a parity with the Series _____ Bonds (herein collectively called the "Bonds") are special obligations of the Authority payable solely from, and secured as to payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions of the Resolution solely by, the Pledged Property, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. Pledged Property under the Resolution includes, without limitation, the State Contract, all Revenues and the Funds, including Investment Securities held in any such Funds thereunder, together with all proceeds and revenues of the foregoing and all of the Authority's right, title and interest in and to the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Resolution, **provided, however, that all amounts paid to the Authority from the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds created under the Act are subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature. The New Jersey State Legislature has no legal obligation to make any such appropriations.** Copies of the Resolution are on file at the office of the Authority and at the above mentioned office of the Trustee and reference is hereby made to the Act and to the Resolution and any and all supplements thereto and modifications and amendments thereof for a description of the pledge and assignment and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the holders of the Bonds with respect thereto, the terms and conditions upon which the Bonds are issued and may be issued thereunder, the terms and provisions upon which this bond shall cease to be entitled to any lien benefit or security under the Resolution and for the other terms and provisions thereof. All covenants, agreements and obligations of the Authority under the Resolution may be discharged and satisfied at or prior to the maturity or redemption of this bond if moneys or certain specified securities shall have been deposited with the Trustee.

As provided in the Resolution, Bonds may be issued from time to time pursuant to Supplemental Resolutions or Series Certificates in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Resolution provided. The aggregate principal amount of Bonds which may be issued under the Resolution is not limited except as provided in the Act, and all Bonds issued and to be issued under the Resolution are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in the Resolution.

To the extent and in the manner permitted by the terms of the Resolution, the provisions of the Resolution, or any resolution amendatory thereof or supplemental thereto, may be modified or amended by the Authority, with the written consent of the holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given who are affected by the proposed modification or amendment; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section and (b) any Financing Facility Provider the consent of which is required by the applicable Financing Facility. If permitted by an applicable Supplemental Resolution or Series Certificate, a Financing Facility Provider of a Financing Facility securing a Series of Bonds shall have the right to consent to amendments on behalf of, and in lieu of, the Owners of the Bonds of such Series. No such modification or amendment shall permit a change in the terms of redemption including sinking fund installments) or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written assent thereto, or shall permit a change in the terms of redemption or prepayment of any Subordinated Debt or the payment of interest thereon or any other amount payable in connection therewith without the consent of the holder of such Subordinated Debt.

This bond is transferable, as provided in the Resolution, only upon the books of the Authority kept for that purpose at the above-mentioned office of the Trustee, as Bond Registrar, by the Registered Owner hereof in person, or by such Registered Owner's attorney duly authorized in writing, upon surrender of this bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or such Registered Owner's duly authorized attorney, and thereupon a new fully registered bond or bonds of the same aggregate principal amount, Series and maturity as this bond shall be issued to the transferee in exchange therefor as provided in the Resolution, and upon payment of the charges therein prescribed. The Authority, the Trustee and any Paying Agent may deem and treat the Registered Owner as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes.

The Series _____ Bonds are subject to redemption prior to maturity as set forth in the Supplemental Resolution or Series Certificate authorizing such Series ____ Bonds.

No covenant or agreement contained in this bond shall be deemed to be the covenant or agreement of any member, officer, attorney, agent or employee of the Authority in an individual capacity. No recourse shall be had for the payment of principal, premium, if any, or interest on this bond against any officer, member, agent, attorney or employee of the Authority past, present or future, or any successor body or their heirs, personal representatives, successors, as such, either directly or through the Authority, or any such successor body, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all of such liability being hereby released as a condition of and as a consideration for the execution and delivery of this bond.

This bond shall not constitute the personal obligation, either jointly or severally, of any director, officer, employee or agent of the Authority. The Act provides that neither the members of the Authority nor any person executing Bonds for the Authority shall be liable personally on said Bonds by reason of the issuance thereof.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed and that the Series of Bonds of which this is one, together with all other indebtedness of the Authority, complies in all respects with the applicable laws of the State of New Jersey, including, particularly, the Act.

This bond shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY, has caused this bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chairperson, Vice President or Executive Director, and its seal to be impressed, imprinted, engraved or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary or Assistant Secretory, all as of the Dated Date hereof.

NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY

By:______________________________
Chairperson, Vice-Chairperson
or Executive Director

Attest:

____
Secretary or Assistant Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the Series _____ Bonds delivered pursuant to the within mentioned Resolution.

_________________, as Trustee

By_________________________________
Authorized Officer

SECTION 1302. Escheat Provision. Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, be applied when and as provided in the Uniform Unclaimed Property Act, N.J.S.A. 46:30B-1 et seq, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall have such rights as are provided in said Uniform Unclaimed Property Act.

SECTION 1303. Governing Law. This Resolution shall be governed by and construed in accordance with the laws of the State.

SECTION 1304. Effective Date. This Resolution shall take effect immediately upon its adoption in accordance with the Act.

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APPENDIX III

COPY OF THE STATE CONTRACT

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AMENDED AND RESTATED
CONTRACT IMPLEMENTING FUNDING PROVISIONS OF
THE NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY ACT WITH RESPECT TO
TRANSPORTATION PROGRAM BONDS

THIS AMENDED AND RESTATED 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 January 9, 2019, 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 L. 2016, c. 56 (the "2016 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, prior to the amendments to the Act made pursuant to the 2012 Legislation, the funding of New Jersey's transportation system had been undertaken through the issuance of the Authority's Transportation System Bonds, under the Authority's 1995 Transportation System Bond Resolution, as amended and supplemented; and

WHEREAS, the 2012 Legislation provided, 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 solely from certain revenues constitutionally 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 (iii) changes to the Joint Budget Oversight Committee's review of certain bonding by the Authority; and

WHEREAS, such constitutionally dedicated revenues consisted 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 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 was payable from the following statutorily dedicated sources as set forth in N.J.S.A. 27:lB-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 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 entered into that certain 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 "Original 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, pursuant to the Act, as amended by the 2012 Legislation, the Authority has issued Transportation Program Bonds under the Authority's 2012 Transportation Program Bond Resolution adopted by the Authority on October 26, 2012, as amended and supplemented (the "Transportation Program Bond Resolution"), to provide funding for New Jersey's transportation system; and

WHEREAS, the Act was further amended on October 14, 2016 by the 2016 Legislation to, among other things, authorize the issuance of not-to-exceed $12 billion in new money Transportation Program Bonds between Fiscal Year 2017 and Fiscal Year 2024, except that, in computing the foregoing limitation as to the amount of new money Transportation Program Bonds the Authority may issue, any original issue premium received in connection with the issuance of such Transportation Program Bonds shall count against the foregoing limitation; and

WHEREAS, as amended by the 2016 Legislation, the Act provides that (i) the Treasurer shall credit to the Transportation Trust Fund Account - Subaccount for Debt Service for Transportation Program Bonds a portion of an amount equivalent to all revenue derived from the collection of the Motor Fuels Tax, and (ii) the Treasurer shall, in addition to the foregoing, credit to the Transportation Trust Fund Account - Subaccount for Debt Service for Transportation Program Bonds (A) a portion of an amount equivalent to all revenue derived from the Petroleum Products Tax beginning in Fiscal Year 2017 and during each Fiscal Year thereafter, and (B) a portion of an amount equivalent to the revenue derived from the Sales and Use Tax on the Sale of New Motor Vehicles during each Fiscal Year, provided that the total amount credited to the Transportation Trust Fund Account from the revenue derived from the Sales and Use Tax on the Sale of New Motor Vehicles shall not be less than $200,000,000 in each Fiscal Year; and

WHEREAS, by Concurrent Resolution, passed in the Senate and Assembly on January 11, 2016, the New Jersey Legislature proposed an amendment to Article VIII, Section II of the State Constitution (i) to credit to a special account in the General Fund, in each Fiscal Year, an amount equivalent to all revenues derived from the Motor Fuels Tax and (ii) to credit to a special account in the General Fund, in each Fiscal Year, an amount equivalent to all revenues derived from the Petroleum Products Tax; and

WHEREAS, the question of whether to so amend the State Constitution was submitted to the people of New Jersey at the general election held on November 8, 2016; and

WHEREAS, the official results of that election indicate that the majority of all votes cast for and against that question at such election were cast in favor of said amendment to the State Constitution; and

WHEREAS, said amendment to the State Constitution became effective on December 8, 2016; and

WHEREAS, pursuant to the authority so granted in Section 23 of the Act, as amended by the 2016 Legislation, the Treasurer, the Commissioner and the Authority will enter into this Agreement in order to incorporate certain changes to the Act, as provided for in the 2016 Legislation, relating to the Transportation Program Bonds, and to implement the financing arrangements provided for in the Act, as amended by the 2016 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 a Fifth Supplemental Transportation Program Bond Resolution adopted on December 11, 2018 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

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 and the 2016 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 ACCOUNT—SUBACCOUNT FOR DEBT SERVICE FOR TRANSPORTATION PROGRAM BONDS

2.1. (a) Beginning on December 8, 2016 of the Fiscal Year commencing July 1, 2016 and during each Fiscal Year thereafter 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 all revenue derived from the collection of the Motor Fuels Tax.

(b) The Treasurer shall, in addition to the foregoing, credit to the Transportation Trust Fund Subaccount:

(i) a portion of an amount equivalent to all revenue derived from the Petroleum Products Tax beginning on December 8, 2016 of the Fiscal Year commencing July 1, 2016 and during each Fiscal Year thereafter; 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 during each Fiscal Year, provided that the total amount credited to the Transportation Trust Fund Account from the revenue derived from the Sales and Use Tax on the Sale of New Motor Vehicles shall not be less than $200,000,000 in each Fiscal Year.

(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, (i) all revenues deposited in the Transportation Trust Fund Subaccount pursuant to Sections 2.1(a) and 2.1(b) hereof shall consist solely of revenues which are dedicated pursuant to the State Constitution, including Article VIII, Section II, paragraph 4, and subsections (a) and (d) of Section 20 of the Act, and (ii) all revenues deposited in the Transportation Trust Fund Subaccount pursuant to Section 2.1(c) hereof shall consist solely of revenues which are dedicated pursuant to the State Constitution, including Article VIII, Section II, paragraph 4.

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 the 2016 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 January 9, 2019.

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 this Agreement or have done so by their officers thereunto duly authorized as of the date first written above.

TREASURER, STATE OF NEW JERSEY

By: ______________________________
ELIZABETH MAHER MUOIO

COMMISSIONER, NEW JERSEY
DEPARTMENT OF TRANSPORTATION

By: ______________________________
DIANE GUTIERREZ-SCACCETTI

NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY

By: ______________________________
LEWIS DAIDONE
Executive Director

[SIGNATURE PAGE TO AMENDED AND RESTATED STATE CONTRACT]

IN WITNESS WHEREOF, the parties have themselves executed this Agreement or have done so by their officers thereunto duly authorized as of the date first written above.

TREASURER, STATE OF NEW JERSEY

By: ______________________________
ELIZABETH MAHER MUOIO

COMMISSIONER, NEW JERSEY
DEPARTMENT OF TRANSPORTATION

By: ______________________________
DIANE GUTIERREZ-SCACCETTI

NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY

By: ______________________________
LEWIS DAIDONE
Executive Director

APPENDIX IV

FORM OF THE CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (the “Disclosure Agreement”) is made as of the ___ day of January 2022, by and among the TREASURER OF THE STATE OF NEW JERSEY (the “Treasurer”), the NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY (the “Authority”), a public body corporate and politic of the State of New Jersey (the “State”), and U.S. BANK NATIONAL ASSOCIATION, as Dissemination Agent (the “Dissemination Agent”), in its capacity as trustee under the 2012 Transportation Program Bond Resolution adopted by the Authority on October 26, 2012, as amended and supplemented (the “General Bond Resolution”), including as supplemented by the Eleventh Supplemental Transportation Program Bond Resolution adopted by the Authority on December 16, 2021, and a Series Certificate of the Authority, dated as of January __, 2022 (collectively, the “Resolution”). This Disclosure Agreement is entered into in connection with the issuance and sale of the Authority’s $750,000,000 Transportation Program Bonds, 2022 Series BB (the “2022 Series Bonds”).

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the 2022 Series Bonds (collectively, the “Holders”) and in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”), as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the 2022 Series Bonds.

SECTION 2. Definitions. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Continuing Disclosure Information” shall mean, collectively, (i) 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.

“Obligated Person” shall have the meaning given to such term in the Rule.

“Opinion of Counsel” shall mean a written opinion of counsel expert in federal securities law acceptable to the Treasurer and the Authority, which may be counsel or bond counsel to 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 2022 Series Bonds.

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

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

(a) The Treasurer shall, (a) by not later than March 15, 2022 with respect to the twelve month fiscal period of the State ending June 30, 2021, and (b) by not later than March 15 of each year thereafter during which any of the 2022 Series Bonds remain Outstanding, provide to the Dissemination Agent the Treasurer's Annual Report prepared for the fiscal year of the State ending the immediately preceding June 30 (or if the fiscal year of the State shall end on any date other than June 30, the Treasurer shall provide the Treasurer's Annual Report to the Dissemination Agent not later than the fifteenth day of the ninth month next following the end of such other fiscal year); provided, however, that the audited financial statements of the State may be submitted separately from the Treasurer's Annual Report and later than the date required herein for the filing of the Treasurer's Annual Report if such audited financial statements are not available by such date, but only if the unaudited financial statements are included in such respective Treasurer's Annual Report. Each Treasurer's Annual Report provided to the Dissemination Agent by the Treasurer shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package. Each Treasurer's Annual Report may cross-reference other information which is available to the public on the MSRB's internet website or which has been filed with the SEC and, if the document incorporated by reference is a final official statement, it must be available from the MSRB. Unless otherwise 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 or to submit it directly to the MSRB as provided in subsection (d) 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.

(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 (a) by not later than March 15, 2022 with respect to the twelve month fiscal period of the

State ending June 30, 2021, and (b) by not later than March 15 of each year thereafter during which any of the 2022 Series Bonds remain Outstanding, (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 2022 Series Bonds: "STATE FINANCES," "FINANCIAL RESULTS AND ESTIMATES," "CASH MANAGEMENT," "TAX AND REVENUE ANTICIPATION NOTES," "LONG-TERM OBLIGATIONS," "MORAL OBLIGATIONS," "STATE EMPLOYEES," "STATE FUNDING OF PENSION PLANS," "FUNDING POST-RETIREMENT MEDICAL BENEFITS" and "LITIGATION" and (ii) the State's Annual Comprehensive Financial Report, being the audit report prepared annually by the Office of the State Auditor with respect to the State's general purpose financial statements for each year, all such financial information included in clause (ii) above being prepared using the accounting standards set forth in subsection (b) of this Section 4.

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

SECTION 5. Reporting of Listed Events.

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

(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 2022 Series Bonds, or other material events affecting the tax status of the 2022 Series Bonds;

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

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

(9) Defeasances of the 2022 Series Bonds;

(10) Release, substitution or sale of property securing repayment of the 2022 Series Bonds, if material;

(11) Rating changes relating to the 2022 Series Bonds;

(12) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;[1]

(13) The consummation of a merger, consolidation, or acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, 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;

(14) Appointment of a successor or additional trustee for the 2022 Series Bonds or the change of name of a trustee for the 2022 Series Bonds, if material;

[1] For the purposes of the event identified in paragraph (a)(12) of this Section 5, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

(15) Incurrence of a Financial Obligation (as defined below) of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect Holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

With respect to events (15) and (16), "Financial Obligation" means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B), but shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) The Treasurer shall in a timely manner not in excess of seven (7) Business Days after the occurrence of any Listed Event notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. The Authority shall promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events notify the Treasurer in writing of the occurrence of such event, but shall not be required to give any such notice to the Dissemination Agent. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5, the Treasurer and the Authority may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the Treasurer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB within three (3) Business Days of the receipt of such instruction, but in no event later than ten (10) Business Days after the occurrence of a Listed Event. In addition, notice of Listed Events described in subsections (a)(8) and (9) of this Section 5 shall be given by the Dissemination Agent under this subsection simultaneously with the giving of the notice of the underlying event to the Holders of the affected 2022 Series Bonds pursuant to the Resolution.

(d) Notwithstanding anything to the contrary in this Disclosure Agreement, in order to expedite the transmission of the occurrence of Listed Events as set forth in this Section 5, the Treasurer shall have the option, but shall not be obligated to, file timely notice (which notice, if filed, shall not be filed in excess of ten (10) Business Days after the occurrence of any Listed Event), directly with the MSRB, copying the Dissemination Agent on any such notice.

(e) Each notice of a Listed Event relating to the 2022 Series Bonds shall include the CUSIP numbers of the 2022 Series Bonds to which such notice relates or, if the notice relates to all bond issues of the Authority, including the 2022 Series Bonds, such notice need only include the base CUSIP number of the Authority.

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 2022 Series Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Authority and the Treasurer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an Opinion of Counsel addressed to the Treasurer, the Authority and the Dissemination Agent to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule. No amendment to this Disclosure Agreement shall change or modify the rights or obligations of the Dissemination Agent without its written assent thereto.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Treasurer or the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Treasurer's Annual Report or notice of occurrence of a Listed Event, as the case may be, in addition to that which is required by this Disclosure Agreement. If the Treasurer or the Authority chooses to include any information in any Treasurer's Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update or continue to provide such information or include it in any future Treasurer's Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default.

(a) In the event of a failure of the Treasurer or the Authority to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the written request of the Holders of at least 25% in aggregate principal amount of Outstanding 2022 Series Bonds affected by such failure shall), or any Holder 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 Holder to challenge the adequacy of information provided pursuant to this Disclosure Agreement shall be limited in the same manner as enforcement rights are limited under the General Bond Resolution. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Treasurer or the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

(b) For purposes of this Disclosure Agreement, in making determinations under applicable securities law, the Treasurer or the Authority may, but shall not be required to, rely on an Opinion of Counsel with respect to matters of a legal nature.

SECTION 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Dissemination Agent and the Holders, and each Holder is hereby declared to be a third-party beneficiary of this Disclosure Agreement. Except as provided in the immediately preceding sentence, this Disclosure Agreement shall create no rights in any other person or entity.

SECTION 11. Reimbursement of the Dissemination Agent. The provisions of Section 905 of the General Bond Resolution relating to reimbursement of a Fiduciary shall apply to the performance by the Dissemination Agent of its obligations as Dissemination Agent under this Disclosure Agreement.

SECTION 12. Notices. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Authority:

New Jersey Transportation Trust Fund Authority
Finance and Administration Building
1035 Parkway Avenue, P.O. Box 600
Trenton, New Jersey 08625
Attn: Executive Director

(ii) 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
Attn: Director, Office of Public Finance

(iii) If to the Dissemination Agent:

U.S. Bank National Association
333 Thornall Street
Edison, New Jersey 08837
Attn: Corporate Trust Department

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section 12 for the giving of notice.

SECTION 13. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the Treasurer, the Authority or the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 14. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 17. Governing Law and Venue. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State. The parties hereto agree that the Authority, the Treasurer or the State may be sued, pursuant to Section 9 hereof, only in a State court in the County of Mercer in the State.

SECTION 18. Compliance with L. 2005, c. 271. The Dissemination Agent hereby acknowledges that it has been advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("ELEC") pursuant to N.J.S.A. 19:44A-20.13 (L. 2005, c. 271, section 3) if the Dissemination Agent enters into agreements or contracts, such as this Disclosure Agreement, with a public entity, such as the Authority, and receives compensation or fees in excess of $50,000 or more in the aggregate from public entities, such as the Authority, in a calendar year. It is the Dissemination Agent's responsibility to determine if filing is necessary. Failure to do so can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

SECTION 19. Compliance with L. 2005, c. 92. In accordance with L. 2005, c. 92, the Dissemination Agent agrees that all services performed under this Disclosure Agreement or any subcontract awarded under this Disclosure Agreement shall be performed within the United States of America.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Disclosure Agreement to be executed and delivered by their proper and duly authorized officers as of the day and year first above written.

TREASURER, STATE OF NEW JERSEY

By:_______________________________________
ELIZABETH MAHER MUOIO
State Treasurer

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

By: ______________________________________
LEWIS DAIDONE
Executive Director

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: ______________________________________
PAUL O’BRIEN
Vice President

[SIGNATURE PAGE TO CONTINUING DISCLOSURE AGREEMENT]

EXHIBIT A

NOTICE OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer:	New Jersey Transportation Trust Fund Authority
Name of Issue affected:	$750,000,000 Transportation Program Bonds, 2022 Series BB
Date of Issuance of affected Bond issue:	January __, 2022

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 issue as required by Section 3 of the Continuing Disclosure Agreement dated as of January __, 2022 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

By: ____________________________________
Name:
Title:

cc: Treasurer
Authority

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APPENDIX V

FORM OF OPINION OF BOND COUNSEL

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[UPON DELIVERY OF THE 2022 SERIES BB BONDS, CHIESA SHAHINIAN & GIANTOMASI PC, BOND COUNSEL, IS EXPECTED TO RENDER ITS APPROVING LEGAL OPINION IN SUBSTANTIALLY THE FOLLOWING FORM]

[Date of Closing]

New Jersey Transportation Trust Fund Authority
Trenton, New Jersey

The Honorable Elizabeth Maher Muoio
Treasurer, State of New Jersey
Trenton, New Jersey

Re: New Jersey Transportation Trust Fund Authority
Transportation Program Bonds, 2022 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 Bonds, 2022 Series BB in the aggregate principal amount of $__________ (the "2022 Series BB Bonds").

The 2022 Series BB Bonds are issued under and pursuant to (i) the Constitution and laws of the State including, without limitation, the Act; and (ii) a resolution of the Authority adopted October 26, 2012 entitled "2012 Transportation Program Bond Resolution" (the "Bond Resolution"), as amended and supplemented from time to time, including by the Authority's Eleventh Supplemental Transportation Program Bond Resolution adopted on December 16, 2021 (the "Eleventh Supplemental Resolution") and a Series Certificate dated January __, 2022 (the "Series Certificate;" the Bond Resolution, as amended and supplemented, including by the Eleventh 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 2022 Series BB Bonds are being issued for the purpose of (i) paying State Transportation System Costs, and (ii) paying certain costs of issuance of the 2022 Series BB Bonds.

The 2022 Series BB Bonds are dated and bear interest from their date of delivery. Interest on the 2022 Series BB Bonds will be payable semi-annually on each June 15 and December 15, commencing June 15, 2022. The 2022 Series BB Bonds bear interest at the rates per annum, will mature on June 15 in each of the years and will be subject to redemption prior to maturity all as set forth in the Resolution.

The 2022 Series BB Bonds are issuable only in fully registered form without coupons and, when issued, will be registered initially in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York, an automated depository for securities and clearinghouse for securities transactions. Purchases of the 2022 Series BB Bonds will be in book-entry only form without certificates in the denominations of $5,000 or integral multiples thereof and are lettered and numbered from one upward preceded by the letter "R" prefixed to the number.

The Act provides for certain payments to be made from the Subaccount for Debt Service for Transportation Program Bonds within the Transportation Trust Fund Account in the State General Fund to the Authority, subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature (the "State Legislature") for such purpose. Pursuant to the Act, the Authority, the State Treasurer (the "Treasurer") and the Commissioner of the New Jersey Department of Transportation (the "Commissioner") have entered into the "Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with respect to Transportation Program Bonds", dated as of January 9, 2019 (the "State Contract"), 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 2022 Series BB Bonds, subject to and dependent upon appropriations being made from time to time by the State Legislature.

In the Resolution, the Authority has pledged the Pledged Property as security for all Bonds issued under the Resolution, including the 2022 Series BB Bonds. The Pledged Property consists of the Revenues and the Funds (other than the Program Rebate Fund and the Proceeds Account of the Transportation Program Improvement Fund) created under the Resolution, including Investment Securities held in any such Fund, together with all proceeds and revenues of the foregoing and all of the Authority's right, title and interest therein, and all other moneys, securities or funds pledged for the payment of the principal of and interest on the Bonds in accordance with the terms and provisions of the Resolution. All Bonds issued under the Resolution are special obligations of the Authority which are payable solely from, and secured solely by, the Pledged Property.

The 2022 Series BB Bonds shall not, in any way, be a debt or liability of the State or of any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) and shall not create or constitute an indebtedness, liability or obligation of the State or of any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) or be or constitute a pledge of the faith and credit of the State or any political subdivision thereof. The Authority has no taxing power.

The Authority reserves the right to issue additional Bonds for the purposes and on the conditions stated in the Resolution. As provided in the Resolution, any such additional Bonds (except Subordinated Debt as defined in the Resolution) may be secured equally as to security and payment with the 2022 Series BB Bonds.

In connection with the opinions set forth below, we have examined such documents, records of the Authority and other instruments, including original counterparts or certified copies of the Resolution and the other documents listed in the record of proceedings relating to the issuance of the 2022 Series BB Bonds, and such matters of law and other proofs, as we deemed necessary to enable us to express the opinions set forth below. In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies.

Based upon and subject to the foregoing and the assumptions and qualifications set forth below, we are of the opinion that:

1. The Authority is a public body corporate and politic and an instrumentality of the State, duly created, legally organized and validly existing under the Act, and has the right, power and authority under the Act to adopt the Resolution, to execute the Series Certificate, to enter into the State Contract and to issue the 2022 Series BB Bonds.

2. The Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Resolution is required which has not already been obtained.

3. The Resolution creates the valid pledge which it purports to create of the Pledged Property, including payments made to the Authority pursuant to the State Contract, subject to and dependent upon appropriations being made from time to time by the State Legislature for such purpose.

4. The 2022 Series BB Bonds have been duly and validly authorized and issued by the Authority in accordance with the Constitution and the statutes of the State, including the Act and the Resolution, constitute valid and binding obligations of the Authority as provided in the Resolution, are entitled to the benefits of the Resolution, the State Contract and the Act and are enforceable in accordance with their terms and the terms of the Resolution.

5. The State Contract is in full force and effect and is valid and binding upon the Authority, the Commissioner and the Treasurer and enforceable against the Authority, the Commissioner and the Treasurer in accordance with its terms, subject to the payment obligations thereunder being subject to and dependent upon appropriations being made from time to time by the State Legislature for such purpose.

6. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the 2022 Series BB Bonds in order that interest on the 2022 Series BB Bonds be and remain excluded from the gross income of the owners thereof for Federal income tax purposes. In its Tax Regulatory Agreement

(the "Tax Certificate") executed by the Authority in connection with the issuance of the 2022 Series BB Bonds (but which does not constitute a covenant under the Resolution), the Authority represents that the Authority expects and intends to be able to comply with and will, to the extent permitted by law, comply with the provisions and procedures set forth in the Tax Certificate and do and perform all acts and things necessary or desirable in order to assure that, under the Code as presently in effect, interest on the 2022 Series BB Bonds will, for purposes of Federal income taxation, be and remain excluded from the gross income of the recipients thereof. In rendering the opinion set forth in this Paragraph 6, we have assumed the Authority's compliance with the applicable provisions of the Tax Certificate.

Pursuant to the applicable provisions of the Code and related rulings, regulations and judicial decisions, interest on the 2022 Series BB Bonds is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code and is not an item of tax preference under Section 57 of the Code for purposes of calculating the federal alternative minimum tax.

[We are further of the opinion that the difference between the principal amount of the 2022 Series BB Bonds maturing on June 15 in the years _______ (the "Discount Bonds") and their initial offering prices to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold, constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Discount Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond, and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.]

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

No opinion is expressed, however, as to the extent the accrual or receipt of interest on the 2022 Series BB Bonds may otherwise affect the Federal income tax liability of, or other consequences to, the recipients thereof, which will depend on each recipient's particular tax status and other items of income or deduction.

We are also of the opinion that interest on the 2022 Series BB Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended.

The foregoing opinions are qualified to the extent that the enforceability of the Resolution, the State Contract, the 2022 Series BB Bonds and all related obligations of the various parties thereto may be limited as to remedies by any applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium and similar laws of general application at the time in effect and by judicial decisions and principles of equity affecting creditors' rights generally and judicial discretion. In addition, we wish to advise you that no opinion is being rendered as to the availability of any particular remedy under the Resolution, the State Contract or the 2022 Series BB Bonds.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion, or any changes in law or interpretations thereof that may occur after the date of this opinion, or for any reason whatsoever.

Very truly yours,

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APPENDIX VI

BOOK-ENTRY ONLY SYSTEM

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The information in this Appendix VI concerning The Depository Trust Company ("DTC") and DTC's book-entry only system has been provided by DTC. Accordingly, the Authority takes no responsibility for the accuracy or completeness of such information and neither the DTC Participants nor the Beneficial Owners should rely on such information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

DTC will act as Securities Depository for the 2022 Series BB Bonds. The 2022 Series BB Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity and, if applicable, interest rate within a maturity of the 2022 Series BB Bonds in the aggregate principal amount of each such maturity and, if applicable, interest rate within the 2022 Series BB Bonds, and will be deposited with DTC.

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

Purchases of 2022 Series BB Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2022 Series BB Bonds on DTC's records. The ownership interest of each actual purchaser of each 2022 Series BB Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2022 Series BB Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2022 Series BB Bonds, except in the event that use of the book-entry system for the 2022 Series BB Bonds is discontinued.

To facilitate subsequent transfers, all 2022 Series BB Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2022 Series BB Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2022 Series BB Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2022 Series BB Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2022 Series BB Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2022 Series BB Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2022 Series BB Bonds documents. For example, Beneficial Owners of the 2022 Series BB Bonds may wish to ascertain that the nominee holding the 2022 Series BB Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2022 Series BB Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2022 Series BB Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2022 Series BB Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the 2022 Series BB Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments 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 Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2022 Series BB Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2022 Series BB Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2022 Series BB Bond certificates will be printed and delivered to DTC.

NONE OF THE AUTHORITY, THE TRUSTEE OR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE 2022 SERIES BB BONDS UNDER THE RESOLUTION; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE 2022 SERIES BB BONDS; (IV) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT/INTEREST OF A PARTIAL REDEMPTION OF THE 2022 SERIES BB BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE 2022 SERIES BB BONDS; OR (VI) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE 2022 SERIES BB BONDS, REFERENCES IN THIS APPENDIX VI TO THE OWNERS, HOLDERS, OR REGISTERED OWNERS OF THE 2022 SERIES BB BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2022 SERIES BB BONDS.

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