



NEW ISSUE — BOOK-ENTRY ONLY

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
\$160,000,000*
STATE LEASE REVENUE BONDS (OFFSHORE WIND PORT PROJECT)
2023 SERIES A (FEDERALLY TAXABLE)
(GREEN BONDS — CLIMATE BOND CERTIFIED)

Dated: Date of Delivery**Maturity Date: March 1, as set forth on the inside front cover**

This Official Statement has been prepared by the New Jersey Economic Development Authority (the "Authority") to provide information relating to its \$160,000,000* State Lease Revenue Bonds (Offshore Wind Port Project), 2023 Series A (Federally Taxable) (Green Bonds - Climate Bond Certified) (the "2023 Series A Bonds").

Tax Exemption:

Interest on the 2023 Series A Bonds is not excluded from gross income for federal income tax purposes. Based upon existing law, interest on the 2023 Series A Bonds and any gain realized on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.

Redemption:

The 2023 Series A Bonds are subject to redemption prior to maturity as provided herein. See "THE 2023 SERIES A BONDS — Redemption Provisions" herein.

Security:

The 2023 Series A Bonds are special, limited obligations of the Authority payable solely from the Pledged Property (as defined herein) applicable to the 2023 Series A Bonds, including, without limitation, Basic Rent Payment Obligations (as defined herein) to be made by the State under the NJWP Project Lease (as defined herein) for the NJWP Project (as defined herein) financed by the 2023 Series A Bonds. NOTWITHSTANDING THE PLEDGE EFFECTED BY THE INDENTURE (AS DEFINED HEREIN) OR ANY PROVISION OF THE INDENTURE, THE COST AND EXPENSE OF THE PAYMENT AND PERFORMANCE BY THE STATE OF ITS BASIC RENT PAYMENT OBLIGATIONS UNDER THE NJWP PROJECT LEASE IN ANY FISCAL YEAR SHALL BE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE NEW JERSEY STATE LEGISLATURE (THE "STATE LEGISLATURE") FOR THE NJWP PROJECT LEASE IN SUCH FISCAL YEAR IN AN AMOUNT SUFFICIENT TO PAY THE STATE'S BASIC RENT PAYMENT OBLIGATIONS WITH RESPECT TO THE NJWP PROJECT FOR SUCH FISCAL YEAR. THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS.

THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2023 SERIES A BONDS. THE 2023 SERIES A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR PAYMENT OF THE 2023 SERIES A BONDS. THE 2023 SERIES A BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE 2023 SERIES A BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY AGENCY OR INSTRUMENTALITY THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT (AS DEFINED HEREIN) SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

Purposes:

Proceeds of the 2023 Series A Bonds will be used to: (i) finance a portion of the development and construction costs of the NJWP Project (as defined herein) that will support deployment of offshore wind projects in New Jersey and across the U.S. Eastern Seaboard; (ii) fund the initial deposit to the Rent Reserve Account, if any, by the Authority pursuant to the NJWP Ground Lease; and (iii) pay Costs of Issuance (as defined herein) of the 2023 Series A Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Interest Payment Dates:

March 1 and September 1 of each year, commencing September 1, 2023.

Denominations:

\$5,000 or any integral multiples thereof

Trustee:

The Bank of New York Mellon, Woodland Park, New Jersey

Issuer Contact:

Chief Executive Officer, New Jersey Economic Development Authority, 36 West State Street, Trenton, New Jersey 08625, (609) 858-6700

Green Bond Designation:

The 2023 Series A Bonds have been designated as "Green Bonds — Climate Bond Certified." Kestrel Verifiers, a division of Kestrel 360, Inc., has provided an independent external review and opinion that the 2023 Series A Bonds conform with the Climate Bonds Standard (Version 3.0), and therefore qualify for the Climate Bonds designation. See "DESIGNATION OF THE 2023 SERIES A BONDS AS GREEN BONDS — CLIMATE BOND CERTIFIED" herein and APPENDIX VII herein for more information.



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 2023 Series A Bonds are offered when, as and if issued by the Authority, and delivered and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of their legality and certain other matters by M. Jeremy Ostow, Esq. South Orange, New Jersey, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority and the State by the Attorney General of the State, General Counsel to the Authority and the State, and for the Underwriters by The Nash Law Group, LLC. The 2023 Series A Bonds are expected to be available for delivery through the facilities of DTC on or about January __, 2023.

LOOP CAPITAL MARKETS**J.P. MORGAN**

Official Statement Dated: January __, 2023

* Preliminary, subject to change.

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

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

\$160,000,000*

**STATE LEASE REVENUE BONDS (OFFSHORE WIND PORT PROJECT)
2023 SERIES A (FEDERALLY TAXABLE)
(GREEN BONDS — CLIMATE BOND CERTIFIED)**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS**

<u>Maturity Date*</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2024	\$11,360,000	%	%	
2025	13,085,000			
2026	13,810,000			
2027	14,585,000			
2028	15,425,000			
2029	16,315,000			
2030	17,265,000			
2031	18,280,000			
2032	19,360,000			
2033	20,515,000			

* Preliminary, subject to change.

** CUSIP is a registered trademark of American Bankers Association. CUSIP numbers have been provided by CUSIP Global Services, which is operated on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the 2023 Series A 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 2023 Series A 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 2023 Series A Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS (THE “UNDERWRITERS”) SET FORTH ON THE FRONT COVER OF THIS OFFICIAL STATEMENT (“OFFICIAL STATEMENT”) MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2023 SERIES A BONDS ISSUED BY THE NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY (THE “AUTHORITY”) AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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 2023 SERIES A BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the 2023 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the Authority and 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 sale made hereunder shall, under any circumstances, create any implication that there has been no change in such information since the date hereof.

Upon issuance, the 2023 Series A Bonds will not be registered under the Securities Act of 1933, as amended, or listed on any stock or other securities exchange and the Indenture will not have been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the 2023 Series A Bonds in accordance with applicable provisions of the securities laws of the states in which the 2023 Series A Bonds have been registered or qualified, if any, and the exemption from registration or qualification in other states cannot be regarded as a recommendation of the 2023 Series A Bonds. Neither these states nor any of their agencies have passed upon the merits of the 2023 Series A Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement, or, except for the Authority, has approved the 2023 Series A Bonds for sale.

References in this Official Statement to statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. This Official Statement is distributed in connection with the sale of the 2023 Series A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement contains a general description of the 2023 Series A Bonds, the Authority, the State and the NJWP Project and sets forth summaries of certain provisions of the Indenture and the NJWP Project Lease. The descriptions and summaries herein do not purport to be complete. Persons interested in purchasing the 2023 Series A Bonds should carefully review this Official Statement (including the Appendices attached hereto) as well as copies of such documents in their entirety, which are held by the Trustee at its corporate trust office. This Official Statement does not constitute a contract among the Authority, the State and the holders of the 2023 Series A 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 the State could cause actual results to differ materially from those stated in the forward-looking statements.

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.

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OFFICIAL STATEMENT

Relating To

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

\$160,000,000*

STATE LEASE REVENUE BONDS (OFFSHORE WIND PORT PROJECT) 2023 SERIES A (FEDERALLY TAXABLE) (GREEN BONDS – CLIMATE BOND CERTIFIED)

INTRODUCTION

General

This Official Statement, including the cover page, inside cover page and Appendices, sets forth certain information concerning the offering by the New Jersey Economic Development Authority (the “Authority”) of its \$160,000,000* State Lease Revenue Bonds (Offshore Wind Port Project), 2023 Series A (Federally Taxable) (Green Bonds -- Climate Bond Certified) (the “2023 Series A Bonds”). See “THE 2023 SERIES A BONDS” herein. For definitions of certain terms used and not otherwise defined in this Official Statement, see APPENDIX II – “COPY OF THE INDENTURE” and APPENDIX III – “FORM OF THE NJWP PROJECT LEASE AND THE NJWP PROJECT SUBLEASE” attached hereto. Capitalized terms used herein but not otherwise defined have the meaning ascribed to them in the Indenture (as defined herein) or the NJWP Project Lease (as defined herein).

The 2023 Series A Bonds are being issued by the Authority under and pursuant to the Constitution and laws of the State of New Jersey (the “State”) including, particularly, the New Jersey Economic Development Authority Act, constituting Chapter 80 of the Laws of 1974 of the State, as amended and supplemented (the “Act”), a resolution of the Authority adopted December 21, 2022, authorizing the issuance of the 2023 Series A Bonds (the “Authorizing Resolution”), and a Trust Indenture dated as of January 1, 2023 (the “Trust Indenture”) between the Authority and The Bank of New York Mellon (the “Trustee”), as amended and supplemented by a First Supplemental Trust Indenture date as of January 1, 2023 (the “First Supplemental Trust Indenture”, and together with the Trust Indenture, the “Indenture”), between the Authority and the Trustee.

The 2023 Series A Bonds are being issued to (i) finance a portion of the development and construction costs of the NJWP Project (as defined below) that will support deployment of offshore wind projects in New Jersey and across the U.S. Eastern Seaboard; (ii) fund the initial deposit to the Rent Reserve Account, if any, by the Authority pursuant to the NJWP Ground Lease (as defined below); and (iii) pay Costs of Issuance of the 2023 Series A Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

* Preliminary, subject to change.

The NJWP Project will be leased by the Authority to the State pursuant to an Agreement and Lease, dated as January 1, 2023 (the “NJWP Project Lease”). Simultaneously with the execution and delivery of the NJWP Project Lease, the NJWP Project (as defined herein) will be subleased by the State to the Authority pursuant to an Agreement and Sublease, dated as of January 1, 2023 (the “NJWP Project Sublease”).

The Authority

The Authority was created in 1974 as a public body corporate and politic and an instrumentality of the State. See “THE AUTHORITY” herein. The Authority was created and operates pursuant to the Act.

Sources of Payment and Security for the 2023 Series A Bonds

The 2023 Series A Bonds are special, limited obligations of the Authority payable solely from the Pledged Property (as hereinafter defined) applicable to the 2023 Series A Bonds, including, without limitation, Basic Rent Payment Obligations (the “Basic Rent Payment Obligations”) to be paid by the State under the NJWP Project Lease. See “SOURCES OF PAYMENT AND SECURITY FOR THE 2023 SERIES A BONDS” herein.

Notwithstanding the pledge effected by the Indenture or any provision of the Indenture, the cost and expense of the payment and performance by the State of its Basic Rent Payment Obligations under the NJWP Project Lease in any Fiscal Year shall be subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature (the “State Legislature”) for the NJWP Project Lease in such Fiscal Year in an amount sufficient to pay the State’s Basic Rent Payment Obligations with respect to the NJWP Project for such Fiscal Year. The State Legislature has no legal obligation to make any such appropriations. Upon an Event of Non-Appropriation under the NJWP Project Lease, the Trustee, on behalf of the Holders of the 2023 Series A Bonds, has no remedies. The Trustee may not seek to terminate the NJWP Project Lease or to accelerate the 2023 Series A Bonds and has no rights to the NJWP Project. The State has no obligation to pay its Basic Rent Payment Obligations with respect to which an Event of Non-Appropriation has occurred. The NJWP Project Lease shall not terminate, and the State shall remain obligated to pay such Basic Rent Payment Obligations and all future Basic Rent Payment Obligations, to the extent that appropriations to the NJWP Project Lease have been made. “NJWP Project Lease Documents” means, collectively, the NJWP Project Lease and the NJWP Project Sublease.

THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE 2023 SERIES A BONDS. THE 2023 SERIES A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE 2023 SERIES A BONDS. THE 2023 SERIES A BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE 2023 SERIES A BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY OR ANY AGENCY OR INSTRUMENTALITY THEREOF (OTHER THAN THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

Book-Entry Securities

Except as described herein, the 2023 Series A Bonds will be delivered in the form of one fully registered security for each maturity of the 2023 Series A Bonds with each such 2023 Series A Bond certificate being in the aggregate principal amount of each such maturity and registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”). Except as described herein, beneficial interests in the 2023 Series A Bonds will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Except as described herein, owners of beneficial interests in a 2023 Series A Bond will not be entitled to have the 2023 Series A Bonds registered in their names, will not receive or be entitled to receive physical delivery of the 2023 Series A Bonds in definitive form and will not be considered Holders thereof under the 2023 Series A Bonds or the Indenture. See “THE 2023 SERIES A BONDS – Book-Entry Only System” herein and APPENDIX VI – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

Continuing Disclosure

The Authority, the Treasurer of the State of New Jersey (the “Treasurer”) and the Trustee, as dissemination agent, will enter into a Continuing Disclosure Agreement dated as the date of delivery of the 2023 Series A Bonds (the “Continuing Disclosure Agreement”) in order to provide certain information on an ongoing basis regarding the State and its finances as well as certain events, if material, affecting the 2023 Series A Bonds. A form of the Continuing Disclosure Agreement is attached hereto as APPENDIX IV - “FORM OF THE CONTINUING DISCLOSURE AGREEMENT.”

Additional Information

Certain provisions of the Act, the Indenture, the NJWP Project Lease, the NJWP Project Sublease and NJWP Ground Lease, and certain provisions of law are summarized, quoted or described in this Official Statement. Such summaries, quotations and descriptions do not purport to be comprehensive or definitive and reference is made to the full text of such documents for a full and complete statement of their respective provisions. Copies of the Indenture, the NJWP Project Lease, the NJWP Project Sublease and NJWP Ground Lease are available at the office of the Trustee located at 385 Camp Road, 3rd Floor, Woodland Park, New Jersey 07424.

THE 2023 SERIES A BONDS

General

The 2023 Series A Bonds will be dated and bear interest from the date of delivery and will mature on the dates and in the principal amounts set forth on the inside front cover hereof. Interest on the 2023 Series A Bonds is payable on March 1 and September 1 in each year, commencing September 1, 2023. Principal of the 2023 Series A Bonds will be payable upon surrender of the 2023 Series A Bonds at the principal corporate trust office of the Trustee. Interest on the 2023 Series A Bonds will be payable by check mailed to the registered owners thereof. However, interest on the 2023 Series A Bonds will be paid to any owner of \$1,000,000 or more in aggregate principal amount of 2023 Series A 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 (as defined in the Indenture).

Except as described herein, the 2023 Series A Bonds will be issued in the form of a fully registered certificate for each maturity of the 2023 Series A Bonds, with such certificates being in the aggregate principal amount of the 2023 Series A Bonds and registered in the name of Cede & Co., as nominee of DTC.

So long as DTC, or its nominee is the registered owner of the 2023 Series A Bonds, payments of the principal of and interest on the 2023 Series A 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 2023 Series A Bonds. See “THE 2023 SERIES A BONDS – Book-Entry Only System” herein and APPENDIX VI - “BOOK-ENTRY ONLY SYSTEM” attached hereto.

The 2023 Series A Bonds will be issued only in fully registered form without coupons and in minimum denominations of \$5,000 or any integral multiple thereof.

Redemption Provisions

Make Whole Optional Redemption. The 2023 Series A Bonds are subject to optional redemption prior to their stated maturities at the option of the Authority, in whole or in part (in whole multiples of \$5,000), on any Business Day (as defined below), in the order of maturity (and pro rata within a maturity) designated by the Authority in writing, at the “Make-Whole Redemption Price” (as defined herein).

“Make-Whole Redemption Price” means the greater of:

- (i) 100% of the principal amount of the 2023 Series A Bonds to be redeemed, or
- (ii) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the 2023 Series A Bonds to be redeemed (not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed), discounted to the date on which such 2023 Series A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus ___ basis points, plus, in each case, accrued and unpaid interest on such 2023 Series A Bonds being redeemed on the redemption date. The Authority will obtain an independent accounting firm or an independent financial advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Trustee and the Authority may conclusively rely on such accounting firm’s or financial advisor’s calculations in connection with, and its determination of, the Make-Whole Redemption Price, and neither the Trustee nor the Authority will have any liability for such reliance. The determination of the Make-Whole Redemption Price by such accounting firm or financial advisor will be conclusive and binding on the Trustee, the Authority and the holders of the 2023 Series A Bonds.

“Treasury Rate” means, with respect to any redemption date for any particular Bond, the greater of:

- (i) the yield to maturity as of the redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days, but not more than forty-five (45) calendar days, prior to the redemption date (excluding inflation indexed securities)(or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the remaining average life of the 2023 Series A Bonds to be redeemed; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by the Designated Investment Banker (defined below), and such determination shall be conclusive and binding on the owners of the 2023 Series A Bonds,

or

- (ii) the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker, and such calculation shall be conclusive and binding on the owners of the 2023 Series A Bonds.

“Comparable Treasury Issue” means the United States Treasury security or securities selected by a Designated Investment Banker as having an actual or interpolated maturity comparable to the remaining average life of the 2023 Series A Bonds to be redeemed that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining average life of such 2023 Series A Bonds.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Bond, the average of the Primary Treasury Dealer Quotations for such redemption date or, if the Designated Investment Banker obtains only one Primary Treasury Dealer Quotation, such Primary Treasury Dealer Quotation.

“Designated Investment Banker” means a Primary Treasury Dealer appointed by the Authority.

“Primary Treasury Dealer” means one or more entities appointed by the Authority, which, in each case, is a primary U.S. Government securities dealer in the City of New York, New York, and its or their respective successors.

“Primary Treasury Dealer Quotations” means, with respect to each Primary Treasury Dealer and any redemption date, the average, as determined by the Designated Investment Banker, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Primary Treasury Dealer at 3:30 p.m. New York time on the third Business Day preceding such redemption date.

“Business Day” means any day other than (A) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city or cities in which the designated corporate trust office of the Trustee is located are authorized by law or executive order to close or (B) a day on which the New York Stock Exchange is closed.

Selection of 2023 Series A Bonds to be Redeemed. If the 2023 Series A Bonds are registered in book-entry only form and DTC or a successor securities depository is the sole registered owner of the 2023 Series A Bonds and if less than all of the 2023 Series A Bonds of a maturity are called for prior redemption, the particular 2023 Series A Bonds or portions thereof to be redeemed shall be selected on a pro rata pass through distribution of principal basis in accordance with DTC procedures.

If the 2023 Series A Bonds are not registered in book-entry only form and less than all of the 2023 Series A Bonds of a maturity are called for prior redemption, the particular 2023 Series A Bonds or portions thereof of such maturity 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.

Notice of Redemption

When the Trustee receives notice from the Authority of its election or direction to redeem the 2023 Series A Bonds, and provided that the redemption of the 2023 Series A Bonds is authorized or required pursuant to the Indenture, then the Trustee shall give notice, in the name of the Authority, of the redemption of such 2023 Series A Bonds, which notice shall specify the maturities (and, if applicable, interest rates within a maturity) of the 2023 Series A 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 2023 Series A Bonds of the same maturity are to be redeemed, the letters and numbers or other distinguishing marks of such 2023 Series A Bonds to be so redeemed, and, in the case of 2023 Series A 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 2023 Series A Bond to be redeemed the Redemption Price thereof, or, in the case of 2023 Series A Bonds to be redeemed in part only, the Redemption Price of the specified portions of the principal amount of each 2023 Series A Bond to be redeemed, together with interest accrued to the redemption date, and that from and after such redemption 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 2023 Series A Bonds or portions of 2023 Series A Bonds that are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure of the registered owner of any 2023 Series A Bonds that are to be redeemed to receive any such notice shall not affect the validity of the proceedings for the redemption of 2023 Series A Bonds.

If at the time of the mailing of the notice of redemption by the Trustee, the Authority shall not have deposited with the Trustee or the Paying Agent, as applicable, moneys sufficient to redeem all of the 2023 Series A 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 2023 Series A Bonds, all notices of redemption required to be given to the registered owners of the 2023 Series A Bonds will be given to DTC.

Book-Entry Only System

The information in APPENDIX VI – BOOK-ENTRY ONLY SYSTEM attached hereto 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 2023 SERIES A BONDS, (I) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2023 SERIES A BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN 2023 SERIES A BONDS OR (III) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE HOLDER OF THE 2023 SERIES A 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. NONE OF THE AUTHORITY, THE TRUSTEE OR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE 2023 SERIES A BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT OR ANY OTHER PERSON WHO IS NOT SHOWN ON THE BOND REGISTER OF THE AUTHORITY KEPT BY THE TRUSTEE AS BEING A 2023 SERIES A BONDHOLDER.

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 OWNERS OF THE 2023 SERIES A BONDS UNDER THE INDENTURE; (III) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2023 SERIES A BONDS; (IV) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST DUE WITH RESPECT TO THE 2023 SERIES A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2023 SERIES A BONDS; OR (VI) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF ALL OF THE 2023 SERIES A BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS OR REGISTERED OWNERS OF THE 2023 SERIES A 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 2023 SERIES A BONDS.

In the event that the 2023 Series A 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 2023 Series A Bonds from such book-entry only form to a fully registered form. Thereafter, bond certificates will be printed and delivered as described in the Indenture and Beneficial Owners will become the registered owners of the 2023 Series A Bonds.

Designation of the 2023 Series A Bonds as Green Bonds – Climate Bond Certified

The information set forth below concerning (i) the Climate Bonds Initiative (“CBI”) and the process for obtaining certification from CBI, and (ii) Kestrel Verifiers in its role as a verifier with respect to the certification of the 2023 Series A Bonds as Climate Bond Certified, all as more fully described below, has been extracted from materials provided by CBI and Kestrel Verifiers. Additional information relating to CBI and the certification process can be found at www.climatebonds.net. The CBI website is included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

In connection with the 2023 Series A Bonds and the NJWP Project, the Authority applied to the CBI for designation of the 2023 Series A Bonds as “Climate Bond Certified.” CBI is an independent not-for-profit organization that works solely on mobilizing the bond market for climate change solutions. CBI has established a certification program that provides criteria for eligible projects to be considered a Certified Climate Bond. Rigorous scientific criteria ensure that financed activities are consistent with the 1.5 degrees Celsius warming target declared in the 2015 Paris Agreement which exists within the United Nations Framework Convention on Climate Change, to address greenhouse-gas-emissions mitigation, adaptation,

and finance. The CBI certification program is used globally by bond issuers, governments, investors and the financial markets to prioritize investments which genuinely contribute to addressing climate change.

The CBI standards use credible, science-based, widely supported guidelines about what should and should not be considered a qualifying climate-aligned investment to assist investors in making informed decisions about the environmental credentials of a bond. In order to receive the CBI certification, the Authority engaged Kestrel Verifiers, a third-party CBI Approved Verifier, to provide verification to the CBI Certification Board that the 2023 Series A Bonds meet the CBI standards and relevant sector criteria. Kestrel Verifiers reviewed and provided verification to CBI, and CBI certified the 2023 Series A Bonds as Climate Bonds on December 22, 2022. Kestrel Verifiers will also provide a Post-Issuance Report to CBI as to whether the proceeds of the 2023 Series A Bonds have been allocated properly.

The terms “Climate Bond Certified” and “Green Bonds” are solely for identification purposes and are not intended to provide or imply that the owners of the 2023 Series A Bonds are entitled to any security other than that described under the heading “SOURCES OF PAYMENT AND SECURITY FOR THE 2023 SERIES A BONDS.”

The certification of the 2023 Series A Bonds as Climate Bonds by the CBI is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to 2023 Series A Bonds or the NJWP Project, including but not limited to the Official Statement, the transaction documents, the Authority or the management of the Authority.

The certification of the 2023 Series A Bonds as Climate Bonds by the Climate Bonds Initiative was addressed solely to the Authority and is not a recommendation to any person to purchase, hold or sell the 2023 Series A Bonds and such certification does not address the market price or suitability of the 2023 Series A Bonds for a particular investor. The certification also does not address the merits of the decision by the Authority or any third party to participate in any nominated project and does not express and should not be deemed to be an expression of an opinion as to the Authority or any aspect of the NJWP Project (including but not limited to the financial viability of the NJWP Project) other than with respect to conformance with CBI’s standards for Certified Climate Bonds.

In issuing or monitoring, as applicable, the certification, CBI and Kestrel Verifiers have assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to CBI and Kestrel Verifiers. CBI does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of the NJWP Project or the Authority.

In addition, CBI does not assume any obligation to conduct (and it has not conducted) any physical inspection of the NJWP Project. The certification may only be used with the 2023 Series A Bonds and may not be used for any other purpose without CBI’s prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the 2023 Series A Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the CBI’s sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

Approved Verifier for Third Party Verification of Climate Bond

The Authority has engaged Kestrel Verifiers to provide a Verification on the 2023 Series A Bonds' conformance with the Climate Bond Standard V3.0. Kestrel Verifiers has determined that the NJWP Project to be financed with the proceeds of the 2023 Series A Bonds satisfy the Climate Bond Standard V3.0 and the Marine Renewable Energy Criteria (Version 1.2). Accredited as an "Approved Verifier" by the Climate Bonds Initiative, Kestrel Verifiers evaluates bonds against the Climate Bonds Initiative Standards and Criteria in all sectors worldwide. Kestrel's Climate Bond Verifier's Report can be found in APPENDIX VII.

SOURCES OF PAYMENT AND SECURITY FOR THE 2023 SERIES A BONDS

THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE 2023 SERIES A BONDS. THE 2023 SERIES A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED TO THE 2023 SERIES A BONDS UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE 2023 SERIES A BONDS. THE 2023 SERIES A BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE 2023 SERIES A BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY OR ANY AGENCY OR INSTRUMENTALITY THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

Pledged Property for the 2023 Series A Bonds

In accordance with the Indenture, the 2023 Series A Bonds are secured solely by the Pledged Property applicable to the 2023 Series A Bonds which consists of (1) all funds, moneys and Investment Securities deposited in the Accounts within the Debt Service Fund and subaccounts within the Accounts within the Debt Service Fund pursuant to the Indenture and/or any Supplemental Indenture, and (2) the Revenues. Except as otherwise may be provided in a Supplemental Indenture, none of the Funds or Accounts within a Fund or subaccounts within an Account within a Fund other than the Debt Service Fund and the Accounts and subaccounts therein are pledged to the payment of the Bonds. The term "Revenues" means, for the 2023 Series A Bonds, all Basic Rent payable under the NJWP Project Lease.

NOTWITHSTANDING THE PLEDGE EFFECTED BY THE INDENTURE OR ANY PROVISION OF THE INDENTURE, THE COST AND EXPENSE OF THE PAYMENT AND PERFORMANCE BY THE STATE OF ITS BASIC RENT PAYMENT OBLIGATIONS UNDER THE NJWP PROJECT LEASE IN ANY FISCAL YEAR SHALL BE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE STATE LEGISLATURE FOR THE NJWP PROJECT LEASE IN SUCH FISCAL YEAR IN AN AMOUNT SUFFICIENT TO PAY THE STATE'S BASIC RENT PAYMENT OBLIGATIONS WITH RESPECT TO THE NJWP PROJECT FOR SUCH FISCAL YEAR. THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE

ANY SUCH APPROPRIATIONS. UPON AN EVENT OF NON-APPROPRIATION UNDER THE NJWP PROJECT LEASE, THE TRUSTEE, ON BEHALF OF THE HOLDERS OF THE 2023 SERIES A BONDS, HAS NO REMEDIES. THE TRUSTEE MAY NOT SEEK TO TERMINATE THE NJWP PROJECT LEASE OR TO ACCELERATE THE 2023 SERIES A BONDS AND HAS NO RIGHTS TO THE NJWP PROJECT. THE STATE HAS NO OBLIGATION TO PAY ITS BASIC RENT PAYMENT OBLIGATIONS WITH RESPECT TO WHICH AN EVENT OF NON-APPROPRIATION HAS OCCURRED. THE NJWP PROJECT LEASE SHALL NOT TERMINATE AND THE STATE SHALL REMAIN OBLIGATED TO PAY SUCH BASIC RENT PAYMENT OBLIGATIONS AND ALL FUTURE BASIC RENT PAYMENT OBLIGATIONS, TO THE EXTENT THAT APPROPRIATIONS TO THE NJWP PROJECT LEASE HAVE BEEN MADE.

For a discussion of New Jersey's appropriation process, see APPENDIX I – "FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY – STATE FINANCES – Budget and Appropriation Process" attached hereto.

The provisions of the 2023 Series A Bonds and the Indenture are deemed to be and constitute contracts by and between the Authority and the Holders, from time to time, of the 2023 Series A Bonds.

The NJWP Project Lease and the NJWP Project Sublease

In connection with the issuance of the 2023 Series A Bonds, the Authority and the State shall enter into the NJWP Project Lease. Pursuant to the NJWP Project Lease, the State shall lease the NJWP Project from the Authority. Simultaneously with the execution and delivery of the NJWP Project Lease, the Authority shall enter into the NJWP Sublease pursuant to which the State shall sublease the NJWP Project back to the Authority. Under the terms of the NJWP Project Lease, the State is required to pay directly to the Trustee, for the account of the Authority, as Rent, at least three (3) Business Days before each Payment Date, a sum which, together with the balance on deposit in the Funds, Accounts and subaccounts established under the Indenture and available for the purpose, and taking into account Basic Rent Payment Obligations payable under the NJWP Project Lease, if any, applicable to the 2023 Series A Bonds, and interest earnings, if any, on such Rent payment until the same is disbursed, shall be sufficient to pay the Bond Payment Obligations coming due on such Payment Date on the 2023 Series A Bonds and all other Outstanding Bonds, if any, issued under the Indenture to finance a portion of the costs of the NJWP Project. The Authority has assigned its rights to receive such Rent to the Trustee and the Trustee will use such Rent to pay the principal of and interest on the 2023 Series A Bonds and all other Outstanding Bonds, if any, issued under the Indenture to finance a portion of the costs of the NJWP Project in the manner provided in the Indenture.

NOTWITHSTANDING ANYTHING CONTAINED IN THE NJWP PROJECT LEASE TO THE CONTRARY, A FAILURE BY THE STATE TO PAY WHEN DUE ANY BASIC RENT PAYMENT OBLIGATIONS OR ADDITIONAL RENT PAYMENT OBLIGATIONS REQUIRED TO BE MADE UNDER THE NJWP PROJECT LEASE OR A FAILURE BY THE STATE TO OBSERVE AND PERFORM ANY COVENANT, CONDITION OR AGREEMENT ON ITS PART TO BE OBSERVED OR PERFORMED UNDER THE NJWP PROJECT LEASE, RESULTING FROM THE OCCURRENCE OF AN EVENT OF NON-APPROPRIATION SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THE NJWP PROJECT LEASE.

The payment by the State of Basic Rent in each Fiscal Year under the NJWP Project Lease is subject to the availability of funds in the Fiscal Year in which such amounts are to be appropriated. The pledge and security interest under the Indenture shall remain in full force and affect until the State's Basic Rent Payment Obligations under the NJWP Project Lease have been paid in full.

An “Event of Non-Appropriation” shall be deemed to have occurred, in the case of the State’s Basic Rent Payment Obligations under the NJWP Project Lease, if the State Legislature shall fail to appropriate funds to the NJWP Project Lease for any Fiscal Year in the Annual Appropriations Act for such Fiscal Year (including without limitation, the reduction or cancellation of an appropriation pursuant to an amendment to the Annual Appropriations Act for such Fiscal Year) in an amount sufficient to pay when due the Bond Payment Obligations of the State coming due under the NJWP Project Lease in such Fiscal Year. An Event of Non-Appropriation shall not be deemed to have occurred under the NJWP Project Lease so long as a Default resulting from the State’s failure to pay any Rent Payment Obligation or Additional Rent Payment Obligation for any reason other than an Event of Non-Appropriation has occurred and is continuing under the NJWP Project Lease.

A failure by the State to pay when due any Basic Rent Payment Obligations required to be made under the NJWP Project Lease resulting from the occurrence of an Event of Non-Appropriation shall not constitute an event of default under the NJWP Project Lease.

In addition, a failure by the Authority to pay when due any Basic Rent Payment Obligations or Credit Facility Payment Obligations required to be made under the Indenture or the 2023 Series A 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 Indenture or the 2023 Series A Bonds, resulting from the occurrence of an Event of Non-Appropriation shall not constitute an Event of Default under the Indenture.

Upon an Event of Non-Appropriation under the NJWP Project Lease, the Trustee, on behalf of the Holders of the 2023 Series A Bonds, has no remedies. The Trustee may not seek to terminate the NJWP Project Lease or to accelerate the 2023 Series A Bonds and has no rights to the NJWP Project. The State has no obligation to pay its Basic Rent Payment Obligations under the NJWP Project Lease with respect to which an Event of Non-Appropriation has occurred. The NJWP Project Lease shall not terminate, and the State shall remain obligated to pay such Basic Rent Payment Obligations and all future Basic Rent Payment Obligations, to the extent that appropriations to the NJWP Project Lease have been made.

From and after the occurrence of an Event of Non-Appropriation, the NJWP Project Lease provides any amounts collected pursuant to action taken under Section 7.2 of the NJWP Project Lease shall be applied to the payment of the principal of and interest on the Bonds then Outstanding and to the payment of Ground Lease Rent in accordance with the provisions of the Ground Lease, *pari passu* and on a parity basis. All Pledged Property then held and thereafter received by the Trustee with respect to the 2023 Series A Bonds shall be applied as follows:

(a) To the payment of the reasonable and proper charges, expenses, costs and liabilities of the Trustee, including without limitation the reasonable expenses of counsel employed by it; and

(b) To the payment of the interest and Principal Installments then due on the 2023 Series A Bonds and the payment of the Credit Facility Payment Obligations as follows:

First: To the payment of interest then due on the 2023 Series A Bonds and Credit Facility Payment 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 on the 2023 Series A Bonds or Credit Facility Payment Obligations maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each 2023 Series A Bond and Credit Facility Payment Obligations without priority or preference of any 2023 Series A Bond or Credit Facility Payment Obligation over any other; and

Second: To the payment of the unpaid Principal Installment of any 2023 Series A Bonds or any Credit Facility Payment Obligations which shall have become due in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all 2023 Series A Bonds or Credit Facility Payment Obligations due on any date, then to the payment thereof ratably, according to the amounts due in respect of each 2023 Series A Bond or Credit Facility Payment Obligation, without priority or preference of any 2023 Series A Bond or Credit Facility Payment Obligations over any other, all as provided in the Indenture.

Additional Bonds and Refunding Bonds

So long as no Event of Default shall have occurred and shall then be continuing, one or more Series of Bonds may be issued by the Authority from time to time under the Indenture for the primary purposes of (i) financing the Costs of the NJWP Project, or (ii) refunding Outstanding Bonds.

With respect to the NJWP Project and the 2023 Series A Bonds, one or more Series of Bonds may be issued by the Authority from time to time under the Indenture for the purpose of providing additional funds to complete payment of the Costs of the NJWP Project, and one or more Series of Refunding Bonds may be issued at any time to refund all Outstanding Bonds or one or more maturities of the Outstanding Bonds. Prior to the authentication and delivery of any Series of such Bonds or Refunding Bonds, the Authority shall deliver to the Trustee, in addition to the items listed in the Indenture, copies of the amendments or supplements, if any, to the NJWP Project Lease, each certified by an Authorized Authority Representative, which are required to confirm that the Basic Rent Payment Obligations of the State under the NJWP Project Lease include an amount sufficient to pay debt service on such Bonds or Refunding Bonds, as the case may be, and all other Bonds then Outstanding which are payable from the applicable Revenues. Any such Bonds and Refunding Bonds which may be issued under the Indenture will be on a parity with the Outstanding 2023 Series A Bonds under the Indenture. For additional covenants and conditions with respect to the issuance of Bonds and Refunding Bonds under the Indenture, see APPENDIX II – “COPY OF THE INDENTURE” and APPENDIX III – “FORM OF THE NJWP PROJECT LEASE AND NJWP PROJECT SUBLEASE” attached hereto.

PLAN OF FINANCE

The 2023 Series A Bonds are being issued to: (i) finance a portion of the development and construction costs of the NJWP Project that will support deployment of offshore wind projects in New Jersey and across the U.S. Eastern Seaboard; (ii) fund the initial deposit to the Rent Reserve Account, if any, by the Authority pursuant to the NJWP Ground Lease; and (iii) pay Costs of Issuance of the 2023 Series A Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Pursuant to Executive Order No. 8 (Murphy 2018) the State is committed to immediately pursue an initial 1,100 megawatts of offshore wind power and a total of 3,500 megawatts of offshore wind power by 2030, Executive Order No. 92 (Murphy 2019), increased this power generation target to 7,500 megawatts by 2035 and Executive Order No. 307 (Murphy 2022) increased the power generation target to 11,000 megawatts by 2040.

On behalf of the State, the Authority is leading the development of a new purpose-built offshore wind marshalling and manufacturing port at Lower Alloways Creek, Salem County, New Jersey (the “NJWP Project”); a first-of-its kind asset in the United States and centerpiece of the State’s broader offshore wind development agenda.

Pursuant to a Ground Lease Agreement, dated September 14, 2021 (the “NJWP Ground Lease”), among PSEG Nuclear LLC, a New Jersey limited liability company, as Landlord (“Ground Lessor”), the

Authority, as Tenant, and PSEG Nuclear LLC, in its own capacity, as amended and supplemented, the Ground Lessor has leased and shall lease to the Authority approximately half of the premises upon which the NJWP Project will be constructed, all as provided in and subject to the terms and conditions of the NJWP Ground Lease. The remainder of the premises upon which the NJWP Project will be constructed is on land owned by the Authority. In the event the NJWP Ground Lease is terminated while the 2023 Series A Bonds are outstanding, the NJWP Project Lease shall not terminate, but shall remain in full force and effect in accordance with its terms, and the State shall remain obligated to pay such Basic Rent Payment Obligations and all future Basic Rent Payment Obligations in an amount sufficient to pay the principal or Redemption Price of, and interest on, the 2023 Series A Bonds, to the extent appropriations to the NJWP Project Lease have been made by the State Legislature for such purpose. The State Legislature has no obligation to make such appropriations.

The 2023 Series A Bonds are the inaugural bond issuance by the Authority under the Indenture, the proceeds of which will finance a portion of the NJWP Project, including but not limited to the preconstruction and construction costs for the first and second phases of the NJWP Project.

The NJWP Project has a developable footprint of over 220 acres and is situated on the eastern shore of the Delaware River in Lower Alloways Creek, Salem County. Approximately 112 acres of the NJWP Project is on ground leased from PSEG Nuclear, LLC for an initial term of 28 years and maximum term of 78 years. The other approximately 108 acres of the NJWP Project is situated on land owned by the Authority. The NJWP Project is one of only a handful of ports on the U.S. East Coast with the capacity to support marshalling and co-located manufacturing, given its large developable acreage and absence of vertical restrictions (i.e., absence of bridges between the NJWP Project and the open ocean).

The NJWP Project is being designed, built and will be operated exclusively for offshore wind uses. If fully developed, the NJWP Project will have capacity for the marshalling of two wind projects concurrently, as well as housing up to three Tier 1 turbine component manufacturers, such as nacelles, blades or towers. The NJWP Project development will be phased over an approximately 7–8 year period.

Phase 1, components of which are under construction with other components at an early design state, will be comprised of:

- An approximately 30-acre property and adjacent wharf infrastructure purpose-built for marshalling (i.e., wind turbine staging, final assembly, and transport) (“Parcel A”);
- Dredging of an access channel from the NJWP Project to the main Delaware River shipping channel, as well as berth pockets able to accommodate jack-up installation vessels;
- Approximately 57-acres of property purpose-built for Tier 1 wind manufacturing, connected to the wharf via a heavy haul road corridor;
- An approximately 30-acre confined disposal facility for dredge placement;
- An approximately 5-acre property for general port administration and parking; and
- On site utility (power, water, sewer, telecommunications) infrastructure and grid connections.

Phase 2 of the project, which is currently at the preliminary design stage, will be comprised of:

- An approximately 40-50 acre property and adjacent wharf infrastructure purpose-built for marshalling (with dredged berth pockets and turning basin) (“Parcel B1”);
- An approximately 60-70 acre property purpose-built for Tier 1 wind component manufacturing, as well as adjacent wharf infrastructure (with dredged berth pockets and turning basin);
- On-site utility infrastructure (power, water, sewer, telecommunications); and
- Heavy-haul road corridors connecting parcels and shared wharves.

The development of Parcel A is targeted to be completed in Quarter 2 of 2024, with the completion of the development of the balance of Phase 1 anticipated in 2024 and 2025. Development of Phase 2 is targeted to commence in 2024 and to achieve completion by 2028.

The costs of development of Phases 1 and 2 are estimated at approximately \$550 million each, excluding hydraulic dredging undertaken by the New Jersey Department of Transportation. The Authority is issuing bonds to cover some of these costs.

The Authority has publicly advertised two notices for leases of various parcels at the NJWP Project seeking offshore wind developers (with expected lease terms of 2-5 years) and manufacturers (with expected lease terms of 15 plus years). In April 2022, in response to the first notice for the first lease of Parcel A, Orsted North America and the Authority executed a non-binding letter of intent in anticipation of entering into full form development and lease agreements. In response to a second notice for various properties, including the second lease of Parcel A, the Authority received 16 non-binding offers to lease from a total of six wind developers and manufacturers. At its December 21, 2022 meeting, the Authority’s Board approved the Authority entering into a binding letter of intent with Atlantic Shores Offshore Wind, LLC for the first lease of Parcel B in anticipation of entering into full form development and lease agreements. However, none of the revenues generated by the Authority from leasing parcels at the NJWP Project to offshore wind developers constitute part of the Pledged Property securing the 2023 Series A Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE 2023 SERIES A BONDS” for a description of the security for the 2023 Series A Bonds.

The Authority currently does not have any bonds and notes outstanding in connection with the financing of the construction of the NJWP Project.

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DEBT SERVICE SCHEDULE

The following table sets forth the debt service requirements for the 2023 Series A Bonds in each Fiscal Year.

Fiscal Year Ending <u>June 30</u>	<u>2023 Series A Bonds</u>		Total Debt Service on <u>2023 Series A Bonds</u>
	<u>Principal</u>	<u>Interest</u>	
\$		\$	\$
TOTAL *	<u>\$</u>	<u>\$</u>	<u>\$</u>

* Totals may not add up due to rounding.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2023 Series A Bonds are as follows:

Sources of Funds:

Par Amount of 2023 Series A Bonds \$ _____

Total Sources of Funds \$

Uses of Funds:

Deposit to Project Account..... \$ _____

Costs of Issuance⁽¹⁾

Total Uses of Funds \$

⁽¹⁾ Includes legal fees, printing costs, Trustee fees, rating agency fees, underwriters' discount, and other miscellaneous costs of issuance, including rounding amount.

THE AUTHORITY

The Authority was established in 1974 as a public body corporate and politic, constituting an instrumentality of the State, exercising public and essential government functions, empowered by the Constitution and the laws of the State, including specifically, the Act. Pursuant to the Act, the Authority has the power to render assistance to governmental bodies, through, among other means, taking assignments of rentals and leases and making and entering into all contracts, leases, agreements and arrangements necessary or incidental to the performance of its duties. In order to discharge its responsibilities and fulfill those purposes mentioned above, the Authority is authorized to issue and sell bonds and notes for these purposes, including the 2023 Series A Bonds described herein.

The Act provides that neither the members of the Authority nor any person executing bonds or notes issued pursuant to the Act shall be liable personally on such bonds or notes by reason of the execution or issuance thereof, and the bonds or other obligations issued by the Authority pursuant to the Act shall not be in any way debt or liability of the State or any other political subdivision thereof and shall not create or constitute any indebtedness, liability or obligation of the State or any political subdivision thereof, either legal, moral, or otherwise. The Act further provides that nothing contained therein shall be construed to authorize the Authority to incur any indebtedness on behalf of or in any way obligate the State or any political subdivision thereof.

LEGALITY FOR INVESTMENT

Pursuant to the Act, the 2023 Series A Bonds are securities in which the State and all political subdivisions of the State, their officers, boards, commissioners, departments or other agencies; all banks, bankers, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking or investment business; all insurance companies, insurance associations, and other persons carrying on an insurance business; all executors, administrators, guardians, trustees and other fiduciaries; and all other persons whatsoever who are authorized to invest in bonds or other obligations of the State, may properly and legally invest any sinking funds, moneys or other funds, including capital, belonging to them or within their control. The 2023 Series A Bonds are also securities which may properly and legally be deposited with and received by any State or municipal officers or agency of the State for any purpose for which the deposit of bonds or other obligations of the State is authorized by law.

LITIGATION

There is no controversy or litigation now pending against the Authority concerning the issuance, sale or delivery of the 2023 Series A Bonds, or in any way contesting or affecting the validity of the Act, the 2023 Series A Bonds, the NJWP Project Lease, the NJWP Project Sublease or the proceedings of the Authority taken with respect to the issuance and sale of the 2023 Series A Bonds or the pledge of the Pledged Property.

APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance, sale and delivery of the 2023 Series A Bonds are subject to the approval of M. Jeremy Ostow, South Orange, New Jersey, Bond Counsel to the Authority, whose approving legal opinion will be delivered with the 2023 Series A Bonds, substantially in the form annexed hereto as Appendix V. Certain legal matters will be passed upon for the Authority and the State by the Attorney General of the State and for the Underwriters by The Nash Law Group, LLC.

TAX MATTERS

Federal Tax Matters

Interest on the 2023 Series A Bonds is not excluded from gross income for federal income tax purposes.

New Jersey Gross Income Tax

In the opinion of Bond Counsel, interest on and any gain realized on the sale of the 2023 Series A Bonds are not included in gross income under the existing New Jersey Gross Income Tax Act.

Other Tax Matters

Bond Counsel expresses no opinion as to any federal tax matters relating to the 2023 Series A Bonds. In addition, Bond Counsel expresses no opinion regarding any State tax matters relating to the 2023 Series A Bonds other than those expressly stated in the form of Bond Counsel opinion included as APPENDIX V hereto.

PROSPECTIVE PURCHASERS OF THE 2023 SERIES A BONDS, INCLUDING PROSPECTIVE PURCHASERS THAT ARE NOT UNITED STATES PERSONS AS DEFINED FOR FEDERAL TAX PURPOSES, SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO ALL FEDERAL AND STATE TAX MATTERS.

CONTINUING DISCLOSURE

In accordance with the provisions of Rule 15c2-12, as amended, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, the Treasurer and the Authority will, prior to the issuance of the 2023 Series A Bonds, enter into the Continuing Disclosure Agreement for the 2023 Series A Bonds with the Trustee, acting as dissemination agent, substantially in the form set forth in APPENDIX IV hereto.

For the Fiscal Year ended June 30, 2018, the Treasurer's Annual Report was due to the Municipal Securities Rulemaking Board ("MSRB") no later than March 15, 2019 in connection with the State's general obligation bonds and no later than April 1, 2019 in connection with the State's subject-to-appropriation bonds. On March 15, 2019, the Treasurer's Annual Report was filed without including the State's Annual Comprehensive Financial Report ("ACFR") for the fiscal year ended June 30, 2018. 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 filed on EMMA on May 1, 2019.

In January 2019, the 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 Authority's 1996 Liberty State Park Lease Rental Refunding Bonds. Such bonds were redeemed in full in December 2015, and are no longer outstanding.

For Fiscal Year ended June 30, 2021, the Treasurer's Annual Report was due to the MSRB no later than March 15, 2022 in connection with the State's general obligation bonds. On March 15, 2022, the State filed a notice of failure to provide annual information on EMMA that the ACFR would not be filed by March 15, 2022, but would be filed as soon as available. The ACFR was filed on EMMA on May 25, 2022.

For Fiscal Year ended June 30, 2021, the Treasurer's Annual Report was due to the MSRB no later than April 1, 2022 in connection with the State's subject-to-appropriations bonds. On April 1, 2022, the State filed a notice of failure to provide annual information on EMMA that the ACFR would not be filed by April 1, 2022, but would be filed as soon as available. The ACFR was filed on EMMA on May 25, 2022.

On December 22, 2022, the State Treasurer provided notice on EMMA of a June 16, 2022, ratings downgrade by S&P Global Ratings with respect to the Authority's Motor Vehicle Surcharge Revenue Bonds to "BBB". The notice was posted on EMMA on December 23, 2022.

The 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 Bondholders and Beneficial Owners of the 2023 Series A Bonds.

Some information that was made available in a timely manner on EMMA was not 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 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 such insured bonds or the 2023 Series A Bonds.

UNDERWRITING

Pursuant to the bond purchase contract entered into between the Authority and Loop Capital Markets LLC (the "Manager"), as representative of the underwriters of the 2023 Series A Bonds set forth on the cover page hereof (the "Underwriters"), the 2023 Series A Bonds are being purchased by the Underwriters at an aggregate purchase price of \$_____ (representing the principal amount of the 2023 Series A Bonds, less an Underwriters' discount of \$_____). The obligation of the Underwriters to accept delivery of the 2023 Series A Bonds is subject to various conditions contained in the bond purchase contract.

The following two sentences have been furnished by J.P. Morgan Securities, LLC ("JPMS") for inclusion in this Official Statement. "J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2023 Series A Bonds, has entered into negotiated dealer agreements with each of Charles Schwab & Co., Inc. ("CS&Co") ("CS&Co Dealer Agreement") and LPL Financial LLC ("LPL") ("LPL Dealer Agreement") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the CS&Co Dealer Agreement and LPL Dealer Agreement, each of CS&Co and LPL may purchase 2023 Series A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2023 Series A Bonds that such firm sells.

The Authority has not been furnished with any documents relating to the CS&Co Dealer Agreement and LPL Dealer Agreement and makes no representations of any kind with respect thereto. The Authority is not a party to the CS&Co Dealer Agreement or LPL Dealer Agreement and has not entered into any agreement or arrangement with CS&Co or LPL with respect to the offering and sale of the 2023 Series A Bonds.

The Underwriters intend to offer the 2023 Series A Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the 2023 Series A Bonds to the public. The Underwriters may offer and sell 2023 Series A Bonds to certain dealers (including dealers depositing 2023 Series A Bonds into investment trusts) at prices lower than the public offering prices.

RATINGS

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 their long-term municipal bond ratings of "Baa1" and "BBB+", respectively, to the 2023 Series A Bonds.

Such ratings reflect the view of Moody's, and S&P at the time such ratings were given and the Authority makes no representation as to the appropriateness of the ratings. Any desired explanation of the significance of the ratings may be obtained from Moody's, and S&P. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by one or more of the rating agencies, if in the judgment of any such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2023 Series A Bonds.

MISCELLANEOUS

The references herein to the Act, the Indenture, the NJWP Project Lease, the NJWP Project Sublease and the Continuing Disclosure Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and reference is made to the Act, the Indenture, the NJWP Project Lease, the NJWP Project Sublease and the Continuing Disclosure Agreement for full and complete statements of such provisions. These documents may be inspected at the principal corporate trust office of the Trustee.

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

Any statements which are contained in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. All estimates and assumptions herein have been made on the best information available and are believed to be reliable but are not guaranteed as to accuracy or completeness and are not to be construed as a representation of the Authority. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of the 2023 Series A Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

**NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY**

By: _____
Name:
Title:

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

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DATED: OCTOBER 10, 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, 2021, including Management’s Discussion and Analysis (the “2021 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 2021 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.

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

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OVERVIEW OF THE STATE'S FINANCIAL CONDITION

Fiscal Years 2021 and 2022

At the outset of each of Fiscal Years 2021 and 2022, the State projected that it would need significant non-recurring resources to balance the State budget. In Fiscal Year 2021, the State expected to use proceeds from an emergency general bond obligation issuance to offset projected revenue losses. In Fiscal Year 2022, the State expected to use a significant portion of its undesignated fund balance. But, in both Fiscal Years, the State's revenues far outpaced its projections and the State ended up seeing substantial increases in its undesignated fund balance. Much of this was attributable to the significant economic rebound the State and the nation experienced. As of June 30, 2022, the State projects its undesignated fund balance to be approximately \$7.360 billion. The State's undesignated fund balances at the end of Fiscal Year 2021 and Fiscal Year 2022 are the highest undesignated fund balances of the State, both in terms of the absolute amount and relative to the State's expenditures, in recent times.

Fiscal Year 2023 Appropriations Act

In the Fiscal Year 2023 Appropriations Act, the State anticipates a change from the recent strong revenue growth pattern, projecting a reduction in its revenues for Fiscal Year 2023 by about 3% when compared to Fiscal Year 2022. The State's revenue forecast certified for the Fiscal Year 2023 Appropriations Act accounts for various risk factors related to the economic uncertainties facing the State's and country's economy, some of which may result in a lower level of revenues than the State experienced in Fiscal Year 2022. The Fiscal Year 2023 Appropriations Act has combined State appropriations for Fiscal Year 2023 of approximately \$50.695 billion. These appropriations are supported by certified State revenues for Fiscal Year 2023 of approximately \$50.359 billion and projects an undesignated fund balance of the State as of June 30, 2023 of approximately \$6.781 billion, which would represent a decline from the projected combined fund balance as of June 30, 2022 of approximately \$7.360 billion.

Risk Factors Facing the State's Financial Condition

The State's economy, like other parts of the country, is experiencing evolving economic conditions that differ from the recent past. The challenges from the highest price and wage inflation in many decades, rising interest rates, and the potential for slow economic growth, combine for ongoing fiscal uncertainties. See "FINANCIAL RESULTS AND ESTIMATES—New Jersey Current Economic Outlook" herein. As with other sectors of the economy, the State expects that these challenges are likely to have a material impact on its revenues and expenditures in Fiscal Year 2023 and potentially several Fiscal Years in the future. As the State monitors its revenues and expenditures, the State is focused on the following aspects of its financial condition:

- The State's revenues rely, to some extent, on high-income tax payers who generate wage and non-wage income through certain types of business income and the financial markets. If the financial markets experience volatility and disruption, the State may experience fluctuations in tax revenues from this source.
- The State may see increases in wages as a result of the general increases in inflation. Economic forecasters anticipate wage and salary growth to exceed pre-pandemic levels this year and next year. Such pressures could increase the costs of various contracts or other expenditures throughout the budget, but the impacts on State expenditures, including State employee salaries, during Fiscal Year 2023 will be minimal. Most of the employee contracts expire in 2023, and the terms of any future contract are unknown. See "STATE EMPLOYEES" herein for the status of employee contracts.
- The State's health care costs both for its employees and retirees are escalating. State health benefits spending declined at the onset of the pandemic. The combined average annual growth for active employee and retiree State health benefit costs exceeded 10% in Fiscal Years 2021 and 2022, and current trends indicate Fiscal Year 2023 costs could continue at this pace.

While the State is focused on these aspects of its financial condition, the economic conditions that the United States and the State are confronting have not been experienced in several decades and the potential for high inflation and slow economic growth may place additional pressure on other aspects of the State's financial condition.

In addition to these economic risk factors, the State is also focused on the potential structural impact of the expiration of the 2.5 percent surtax of the Corporation Business Tax at the end of Tax Year 2023, which the State projects may reduce Corporation Business Tax revenue collections by as much as 20 percent over the course of Fiscal Year 2024 and Fiscal Year 2025.

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 2023, 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, in 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. 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. McGreevey* (“*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 of 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 pandemic, the State 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 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 (“ACFR”) includes government-wide financial statements and fund financial statements. These statements present different views of the State’s financial information. The ACFR for the twelve months ending June 30, 2021, and the notes referred to therein (the “2021 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 2021 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 2021 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.

Fiscal Year 2023 began on July 1, 2022 and ends on June 30, 2023.

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 2021 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, 2021 and 2020 are set forth below.

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

	As of June 30,	
	2021	2020⁽²⁾
ASSETS		
Cash and cash equivalents.....	\$ 70.4	\$ 457.5
Investments	19,974.4	5,028.2
Receivables, net of allowances for uncollectibles.....		
Federal government	1,364.6	951.9
Departmental accounts.....	2,785.5	2,494.2
Loans	150.8	111.8
Other	493.5	245.8
Due from other funds.....	770.6	2,495.5
Other	61.4	32.9
Total Assets.....	\$25,671.2	\$11,817.8
LIABILITIES AND FUND BALANCES		
Accounts payable and accruals	\$ 1,813.5	\$ 1,059.6
Unearned revenue	7,061.6	1,984.0
Due to other funds.....	6,438.8	623.7
Refunds payable.....	368.4	197.0
Notes payable.....	—	1,500.0
Other	258.9	265.9
Total Liabilities	15,941.2	5,630.2
Deferred Inflows of Resources	610.8	314.3
Total Liabilities and Deferred Inflows of Resources	\$16,552.0	\$ 5,944.5
Fund Balances		
Restricted	1,152.5	852.7
Committed	3,627.2	2,963.3
Unassigned.....	4,339.5	2,057.3
Total Fund Balances	9,119.2	5,873.3
Total Liabilities and Deferred Inflows of Resources and Fund Balances.....	\$25,671.2	\$11,817.8

⁽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.

⁽²⁾ The Fund Balances have been restated to reflect changes due to receivables previously overstated.

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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⁾	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
ASSETS								
Receivables, net of allowances for uncollectibles								
Department accounts	\$3.1	\$3.3	\$37.6	\$20.1	\$ –	\$0.2	\$ 835.2	\$3,416.0
Due from other funds	3.3	1.3	0.8	0.1	0.3	0.9	2,404.3	17.9
Total Assets	<u>\$6.4</u>	<u>\$4.6</u>	<u>\$38.4</u>	<u>\$20.2</u>	<u>\$0.3</u>	<u>\$1.1</u>	<u>\$3,239.5</u>	<u>\$3,433.9</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accruals	\$6.4	\$4.6	\$14.4	\$3.4	\$ –	\$ –	\$149.2	\$83.1
Due to other funds	–	–	11.6	4.4	0.3	–	118.9	2,757.7
Refunds payable	–	–	–	–	–	–	330.3	512.4
Total Liabilities	<u>\$6.4</u>	<u>\$4.6</u>	<u>\$26.0</u>	<u>\$7.8</u>	<u>\$0.3</u>	<u>\$ –</u>	<u>\$598.4</u>	<u>\$3,353.2</u>
Fund Balances								
Restricted	–	–	–	–	–	–	2,641.1	80.7
Committed	–	–	12.4	12.4	–	1.1	–	–
Total Fund Balances	<u>–</u>	<u>–</u>	<u>12.4</u>	<u>12.4</u>	<u>–</u>	<u>1.1</u>	<u>2,641.1</u>	<u>80.7</u>
Total Liabilities and Fund Balances	<u>\$6.4</u>	<u>\$4.6</u>	<u>\$38.4</u>	<u>\$20.2</u>	<u>\$0.3</u>	<u>\$1.1</u>	<u>\$3,239.5</u>	<u>\$3,433.9</u>

- (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 Property Tax Relief 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 2019 through 2023, 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 2019 through 2021 are actual and final. Amounts shown for Fiscal Year 2022 in the following tables and charts are based upon revised estimates for revenues and appropriations as of June 30, 2022 (which are subject to adjustment pending completion of the annual audit). Amounts shown for Fiscal Year 2023 are estimates as contained in the Fiscal Year 2023 Appropriations Act, as amended by supplemental appropriations adopted shortly after the enactment of the Fiscal Year 2023 Appropriations Act. The ending undesignated fund balance for Fiscal Year 2023 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)

	2023	2022	2021	2020	2019
	Estimated	Estimated	Actual⁽²⁾	Actual	Actual
July 1st Beginning Balances					
General Fund	\$ 4,413.4	\$ 1,892.6	\$ 2,050.6	\$ 1,287.8	\$ 990.6
Surplus Revenue Fund	—	2,446.9	6.7	420.6	—
Property Tax Relief Fund	2,946.6	2,544.9	1.8	3.0	—
Gubernatorial Elections Fund	—	—	1.1	0.8	—
Casino Control Fund	—	—	—	—	—
Casino Revenue Fund	—	—	—	—	—
Total Beginning Balances	7,360.0	6,884.4	2,060.2	1,712.2	990.6
Anticipated Revenue					
General Fund	28,833.1	29,823.9	29,721.3	20,625.6	21,252.3
Property Tax Relief Fund	20,992.5	21,579.8	18,413.8	17,074.5	16,747.8
Gubernatorial Elections Fund	0.7	0.7	0.3	0.3	0.8
Casino Control Fund	68.1	61.6	54.0	50.3	49.1
Casino Revenue Fund	465.1	454.9	363.5	262.5	266.2
Total Revenues	50,359.5	51,920.9	48,552.9	38,013.2	38,316.2
Total Resources	\$57,719.5	\$58,805.3	\$50,613.1	\$39,725.4	\$39,306.8
Other Adjustments					
General Fund					
Balances lapsed ⁽³⁾		969.6	1,532.2	831.3	418.3
From (To) Reserved Fund Balance	(243.2)	85.9	(119.8)	19.2	(66.7)
From (To) Surplus Revenue Fund		2,446.9	(2,440.2)	413.9	(420.6)
From (To) Property Tax Relief Fund		964.1	(77.3)	(180.9)	(23.4)
Budget vs GAAP Adjustment				—	—
From (To) Casino Revenue Fund		118.6		—	—
From (To) Gubernatorial Elections Fund	0.7	(18.9)	(9.6)	—	—
From (To) Casino Control Fund				—	—
Surplus Revenue Fund					
From (To) General Fund		(2,446.9)	2,440.2	(413.9)	420.6
Property Tax Relief Fund					
Balances lapsed ⁽³⁾		165.1	108.3	40.8	59.7
From (To) General Fund		(964.1)	77.3	180.9	23.4
Gubernatorial Elections Fund					
From (To) General Fund	(0.7)	18.9	9.6	—	—
Balances lapsed ⁽³⁾		1.9		—	—
Casino Control Fund					
From (To) General Fund				—	—
Balances lapsed ⁽³⁾		0.8	7.5	5.6	1.9
Budget vs GAAP Adjustment			(0.6)	(0.2)	0.3
Casino Revenue Fund					
From (To) General Fund		(118.6)	—	—	—
Balances lapsed ⁽³⁾		2.2	3.4	0.3	6.2
Budget vs GAAP Adjustment				—	—
Total Other Adjustments	(243.2)	1,225.5	1,531.0	897.0	419.7
Total Available	\$57,476.3	\$60,030.8	\$52,144.1	\$40,622.4	\$39,726.5
Appropriations					
General Fund ⁽⁴⁾	26,455.9	31,869.3	28,764.6	20,842.4	20,862.7
Property Tax Relief Fund	23,706.0	20,379.1	16,056.3	17,297.4	16,827.9
Gubernatorial Elections Fund	—	21.5	11.0	—	—
Casino Control Fund	68.1	62.4	60.9	55.7	51.3
Casino Revenue Fund	465.1	338.5	366.9	262.8	272.4
Total Appropriations	\$50,695.1	\$52,670.8	\$45,259.7	\$38,458.3	\$38,014.3
June 30th Ending Balances					
General Fund	6,548.1	4,413.4	1,892.6	2,154.5	1,287.8
Surplus Revenue Fund	—	—	2,446.9	6.7	420.6
Property Tax Relief Fund	233.1	2,946.6	2,544.9	1.8	3.0
Gubernatorial Elections Fund	—	—	—	1.1	0.8
Casino Control Fund	—	—	—	—	—
Casino Revenue Fund	—	—	—	—	—
Total Ending Balances⁽⁵⁾⁽⁶⁾	\$ 6,781.2	\$ 7,360.0	\$ 6,884.4	\$ 2,164.1	\$ 1,712.2

(footnotes appear on next page)

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- (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) 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.
 - (4) Fiscal Year 2022 appropriations reflect a \$5.15 billion deposit to the Debt Defeasance and Prevention Fund, causing the level of appropriations to appear to have been reduced in Fiscal Year 2023. This reduction reflects the removal of the deposit.
 - (5) The ending undesignated fund balance for Fiscal Year 2022 and the opening undesignated fund balance for Fiscal Year 2023 are subject to adjustment pending completion of the Fiscal Year 2022 annual audit. The ending undesignated fund balance for Fiscal Year 2023 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, and appropriations include a \$3.7 billion deposit into the Debt Defeasance and Prevention Fund. Due to this, part of the growth in the ending undesignated fund balance for Fiscal Year 2021 can be attributed to almost \$600 million of this net additional, non-recurring resource.

Developments Following the Enactment of the Fiscal Year 2023 Appropriations Act

The Fiscal Year 2023 Appropriations Act assumed savings for the first quarter of Fiscal Year 2023 from the extension of the federal Public Health Emergency (“PHE”). Under the provisions of the Families First Coronavirus Relief Act, state Medicaid programs are entitled to an additional 6.2 percent federal matching percentage for the duration of the PHE. The federal Department of Health and Human Services (“HHS”) has since officially extended the PHE for one additional State Fiscal Year quarter. Although it is currently unclear how many more times HHS will extend the PHE, it is highly likely that it will do so at least one more time for a total of two State Fiscal Year quarters of additional unbudgeted enhanced federal revenues. Potential savings from these extensions would result in hundreds of millions of dollars in State savings.

New Jersey Demographic Information

New Jersey is the most densely populated state in the nation, with an average density of 1,260 persons per square mile as of calendar year 2021. 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 about one-sixth of the nation’s population, making it 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 calendar year 2018 and 116.2 million visitors in calendar year 2019, though this number dropped to 86.4 million in calendar year 2020 as travel and tourism were disrupted by pandemic-related restrictions. The number of visitors rebounded to 96.6 million in calendar year 2021. Tourism Economics, a private forecaster, expects the number of visitors to be 108 million in calendar year 2022.

There were about 9.3 million persons residing in New Jersey on July 1, 2021, according to the latest population estimate from the U.S. Census Bureau. New Jersey’s population has grown an average of 0.5 percent per year from calendar years 2010 to 2021. This is above the average annual growth rate of 0.2 percent for New York and 0.2 percent for Pennsylvania. It is below the national growth rate of 0.7 percent. Approximately 21.8 percent of New Jersey’s population is under the age of 18, which is lower than the national average of 22.2 percent. In addition, 16.9 percent of the State’s population is 65 years or older, similar to the national share.

New Jersey’s population is highly educated. Based on the 5-year American Community Survey for 2016-2020, 40.7 percent of New Jersey residents 25 years of age or older have a bachelor’s degree or higher. This is the fourth highest rate in the nation and above the national average of 32.9 percent. New Jersey is also a diverse state. At 22.7 percent, New Jersey has the second highest share of foreign-born residents, behind only California, and above

the national average of 13.5 percent. New Jersey has the fourth highest percentage of residents that speak a language other than English at home at 31.6 percent. The State ranks behind only California, Texas, and New Mexico and is above the national percentage of 21.5 percent.

According to New Jersey income tax return data, the number of high-income taxpayers has been growing faster than the total number of taxpayers. From calendar years 2008 to 2020, the total number of taxpayers increased by 10 percent. During the same period, the number of taxpayers whose income was between \$500,000 and \$1 million increased by 98 percent, the number of taxpayers whose taxable income was between \$1 million and \$5 million increased by 68 percent, and the number of taxpayers whose taxable income was greater than \$5 million increased by 70 percent.

For more information, see the 2021 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

New Jersey's economy in calendar year 2021 improved as it recovered from the national COVID-19 recession. Employment plummeted in the early months of the pandemic, but calendar year 2021 became a record year for New Jersey's labor market, which added jobs each month for a total of 212,400 jobs gained. This renewed growth represented a bounce-back from calendar year 2020, when employment fell by 306,000 net jobs, including an unprecedented initial decline of 732,600 jobs in March and April alone.

The State's labor market was strong throughout calendar year 2021, as the State came out of the second wave of the pandemic and vaccination rates began to rise. Payroll employment grew by an average of 16,800 jobs per month from January through June 2021, and then improved to an average of 18,600 jobs per month from July through December 2021. By December 2021, New Jersey had recovered 84.8 percent of the jobs lost in March and April of 2020. As of June 2022, New Jersey had recovered 97.9 percent of the jobs lost, a greater share than that of New York (80.1 percent), Pennsylvania (87.2 percent), and Connecticut (83.4 percent). New Jersey has added jobs for 19 consecutive months through June 2022, adding an average of 16,000 jobs per month from January to June 2022.

Workers in low-wage sectors disproportionately felt the brunt of the economic impact of the pandemic. The leisure and hospitality sector (hotels, restaurants, bars, arts and entertainment venues); trade, transportation and utilities sector (retail trade); and other services sector accounted for 57.0 percent (417,500) of job losses in March and April 2020. The leisure and hospitality sector had recovered 96.3 percent of total jobs lost as of June 2022, while the other services sector had regained 89.1 percent. In contrast, professional and business services, a relatively high-earning sector, had recovered 129.1 percent of the jobs lost during March and April 2020, surpassing pre-pandemic employment levels by 24,100 jobs. Employment in financial activities also recovered quickly, as June 2022 employment in the sector surpassed pre-pandemic levels by 5,500 jobs.

The State's unemployment rate, which had soared to 15.8 percent in May 2020, improved to 5.1 percent by December 2021, 2.3 percentage points lower than the December 2020 level (7.4 percent). By June 2022, the unemployment rate had dropped to 3.9 percent, which was lower than the rates for New York (4.4 percent), Pennsylvania (4.5 percent), and Connecticut (4.0 percent). New Jersey's labor force participation rate declined 0.1 percentage points in calendar year 2021 and stood at 62.6 percent as of December 2021. As of June 2022, New Jersey's labor force participation rate stood at 63.0 percent, 1.3 percentage points lower than the pre-pandemic rate of 64.3 percent. New Jersey's rate was higher than those of New York (60.1 percent) and Pennsylvania (61.7 percent) as of June 2022, but was lower than that of Connecticut (64.6 percent).

According to estimates from New Jersey Realtors, single-family home sales in the State surged 7.6 percent in calendar year 2020 and then grew again by 0.6 percent year-over-year in calendar year 2021. While sales growth started to decline near the end of 2021, slowing from 23.6 percent during the January to June 2021 period, single-family home sales in calendar year 2021 were still 8.3 percent higher than the 2019 pre-pandemic total. Sales boomed from September 2020 through July 2021, followed by declining year-over-year sales in subsequent months and into calendar year 2022. Transaction prices have continued to rise sharply, with the average price of a single-family home in calendar year 2021 reaching nearly \$543,000, 14.4 percent higher than in calendar year 2020 and 33.0 percent higher than in calendar year 2019. Existing-home sales continued to slow into calendar year 2022 as closed sales were

down 12.5 percent, year-to-date, through May, while the average sales price (\$560,000) was up 9.5 percent, year-to-date.

The State experienced strong economic growth throughout calendar year 2021. Gross Domestic Product (“GDP”) rebounded sharply after the initial pandemic drop in calendar year 2020, and real GDP grew at a seasonally adjusted annual rate of 4.9 percent in calendar year 2021, higher than Pennsylvania’s (4.4 percent) rate, but lower than New York’s rate (5.0 percent). New Jersey’s first quarter 2022 GDP growth was estimated at -2.2 percent, which was less than New York (-1.3 percent), Pennsylvania (-2.0 percent), and the U.S. (-1.6 percent). On a year-over-year basis, State GDP rose 2.7 percent, just below the median amongst the 50 states and slower than Pennsylvania (2.8 percent), New York (3.3 percent), and the U.S. as a whole (3.5 percent).

Over the course of calendar year 2021, New Jersey’s personal income growth of 6.3 percent was higher than that of New York (5.5 percent), Pennsylvania (5.5 percent) and Connecticut (5.6 percent). Wages and salaries in New Jersey rose 8.3 percent in calendar year 2021, which was favorable compared to Pennsylvania (7.9 percent growth), but was less than New York (8.6 percent growth).

The economic outlook has weakened recently for both New Jersey and the nation. High core inflation and rising interest rates are likely to put a strain on growth in the near future. Wage gains have struggled to keep up with the pace of inflation, which has dampened consumption behavior.

Price inflation is expected to impact the economy, as year-over-year growth in the U.S. Consumer Price Index (“CPI”) for all items reached 9.1 percent in June 2022. Core CPI, which excludes food and energy items, was up 5.9 percent. Inflation in the metropolitan area containing much of northern and central New Jersey has been more muted, but still high, with regional year-over-year CPI growth at 6.7 percent in June 2022. While higher prices temporarily boosted Sales Tax collections, they also may erode consumer purchasing power as prices remain high, particularly among lower-income households. The index of Consumer Sentiment, as measured by the University of Michigan’s Survey of Consumers, has deteriorated from a high of 88.3 in April 2021 to 50.0 in June 2022, an all-time low reading since the Survey began in 1952.

The Federal Open Market Committee (“FOMC”) lifted the benchmark federal funds rate to between 2.25 percent and 2.5 percent in July 2022 after twice lifting the rate 75 basis points in June and July. FOMC members expected the benchmark federal-funds rate to increase to at least 3.0 percent in calendar year 2022 to combat persistently elevated inflation and most members expected the federal funds rate may need to rise to between 3.5 percent and 4.5 percent in calendar year 2023. It is anticipated that the CPI will remain above 6.0 percent throughout calendar year 2022. Members of the FOMC estimate real GDP in the U.S. to grow 1.7 percent in calendar year 2022 according to their June 2022 projection, which is down from their 2.8 percent prediction in March 2022. Economists recently surveyed by the Wall Street Journal are forecasting real GDP growth of 1.3 percent for the U.S. in calendar year 2022. As high inflation has persisted, the FOMC has revised their inflation forecasts higher while also revising their GDP forecasts lower with the expectations of slowing but continued economic growth.

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 and riverine areas may be vulnerable to sea level rise or flooding from increasing and extreme precipitation and other impacts of climate change. These climate-related phenomena may damage significant portions of the State’s assets and may require the State to construct additional infrastructure. Further, a changing climate 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 (“NJDEP”) is responsible for developing studies and strategies to reduce and respond to the effects of climate change. In 2020, the NJDEP released a scientific study regarding climate change and its impact upon the State, including New Jersey specific sea-level rise information. In 2021, the NJDEP released new data regarding the risk of extreme precipitation throughout the state. As a matter of practice, the NJDEP will incorporate this and other appropriate new data into the State’s climate science report. The NJDEP also has developed short- and long-term strategies to make the State more resilient to the impacts of climate

change, including through regulatory requirements aimed at better protecting public and private assets from risks associated with extreme weather, sea-level rise, and flooding. The State does not develop any of its climate change reports or strategies for purposes of investors making investment decisions and none of the NJDEP reports or strategies are incorporated by reference into this Appendix.

Cybersecurity

The New Jersey Office of Information Technology (“NJOIT”) serves as the State’s centralized infrastructure technology provider. NJOIT has enhanced existing technologies, and put in place multiple additional measures to minimize cyber threats over the past 24 months. These measures include working in conjunction with the New Jersey Office of Homeland Security and Preparedness’ cybersecurity arm, the New Jersey Cybersecurity & Communications Integration Cell (“NJCCIC”). This separation of accountability for cyber protection has served to substantially increase effectiveness due to focused skillsets, budgets, and technology platforms. 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 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.

Since 2020, much of the State’s workforce now has remote access to work, and NJOIT worked closely with NJCCIC to augment endpoint protection across all the State agencies. In addition to its multi-stage mail filtering solution, the State has 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 to connect to State network and systems, creates risk. Our defense-in-depth protections are optimized and enhanced continually to mitigate the introduction of 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.

Revenues

Fiscal Year 2022 Revenues Display Strong Growth

The Fiscal Year 2023 Appropriations Act includes revised Fiscal Year 2022 revenues of \$51.9 billion, some \$9.6 billion above the level certified in June 2021 by the Governor for Fiscal Year 2022. State revenues declined to \$38.0 billion at the outset of the pandemic during Fiscal Year 2020, but rebounded rapidly to \$48.6 billion (including \$4.3 billion in proceeds from the New Jersey COVID-19 State Emergency Fund) in Fiscal Year 2021. Revenue collections for Fiscal Year 2022 are now expected to be \$13.6 billion higher than the pre-pandemic levels in Fiscal Year 2019. These higher than projected annual 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 financial markets.

The second year of the Pass-Through Business Alternative Income Tax (“PTBAIT”) is now estimated to yield over \$3.8 billion, or \$2.5 billion more than that anticipated in the Fiscal Year 2022 Appropriations Act. New taxpayer participation accounts for a substantial share of the increase. However, the PTBAIT is designed to be revenue neutral over time because any taxes paid by the pass-through business entity yield equivalent Gross Income Tax (“GIT”) or Corporation Business Tax (“CBT”) credits for the pass-through business entity’s members. Initial data from the first year of PTBAIT indicate that over 95 percent of tax credits taken against PTBAIT payments were claimed under the GIT.

The revised Fiscal Year 2022 GIT forecast of \$20.6 billion is \$3.7 billion higher than the amount certified at the time of the enactment of the Fiscal Year 2022 Appropriations Act. Strong underlying GIT growth more than offset substantially increased PTBAIT credits as well as the impact of three new tax policy changes enacted along with the Fiscal Year 2022 Appropriations Act intended to reduce taxpayer liabilities. The three new tax policy changes included: the State and federal expansion of the Earned Income Tax Credit with an estimated impact of \$114.0 million; the State and federal expansion of the Child and Dependent Care Credit with an estimated impact of \$97.0 million;

and the State expansion of income eligibility for the pension/retirement income exclusion with an estimated impact of \$111.0 million.

The Sales and Use Tax forecast for Fiscal Year 2022 is now estimated at \$12.4 billion, an increase of \$983.5 million over the amount anticipated at the time of the enactment of the Fiscal Year 2022 Appropriations Act. Sales and Use Tax revenue collections benefitted from increased consumer spending as unprecedented federal stimulus payments to individuals boosted disposable personal income. Additionally, pent-up consumer demand and global supply chain pressures caused inflation to rise and increased the price of taxable goods and services. While there were no new statutory changes to the Sales Tax enacted during Fiscal Year 2022, 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 \$725.8 million.

The CBT revised forecast of \$5.6 billion for Fiscal Year 2022 is \$1.7 billion higher than the amount certified at the time of the enactment of the Fiscal Year 2022 Appropriations Act. Strong estimated and final payments were likely driven by healthy corporate profits in calendar year 2021. Moreover, recent data indicate that only a very small portion of PTBAIT credits have been applied against CBT liabilities. The CBT is also impacted by various tax credits, and the sale and transfer of those credits similarly may impact the CBT on Banks and Financial Institutions and the Insurance Premiums Tax. These tax credits are managed by the NJEDA. For more information, see “FINANCIAL RESULTS AND ESTIMATES – New Jersey Economic Development Authority Tax Credit Programs.”

Fiscal Year 2023 Revenues Expected to Decline from Elevated Fiscal Year 2022 Levels

The revenue increase in Fiscal Years 2021 and 2022 pushed State revenue collections well above the pre-pandemic growth trend. Accordingly, some retrenchment is anticipated and the certified Fiscal Year 2023 revenue forecast projects an overall decline and a return toward historic patterns. The State expects that some revenues will grow at moderate rates, while others will pull back from recent gains. The total forecast of \$50.4 billion is down from Fiscal Year 2022 by nearly \$1.6 billion, or 3.0 percent.

The Fiscal Year 2023 GIT revenue estimate of \$20.0 billion is a decline of \$601.0 million, or 2.9 percent below Fiscal Year 2022. Withholding collections on employee wages are expected to continue growing moderately. However, higher-income taxpayers are expected to reduce their estimated and final payments, as non-wage income sources, such as capital gains and certain types of business income, fall back from elevated levels witnessed during the prior fiscal year. The annual impact of PTBAIT credits is expected to stabilize. The forecast also includes two new tax policy changes: tax benefits for certain college costs, loan payments and savings enacted last year (*L. 2021, c. 128*), estimated to save taxpayers approximately \$87.0 million; and a new child care tax credit for families with young children (*L. 2022, c. 24*), estimated to save taxpayers \$100.0 million.

The Fiscal Year 2023 CBT revenue forecast of \$5.2 billion is down \$412.7 million, or 7.3 percent below Fiscal Year 2022. The economic expansion is forecasted to slow in calendar year 2022, in part due to anticipated further interest rate hikes, and growth in corporate profits is expected to recede from its historic pace of calendar year 2021.

Sales and Use Tax revenues are expected to rise modestly in Fiscal Year 2023, to \$12.6 billion, up \$181.7 million, or 1.5 percent above the prior year. Growth is expected to ease after the surge of consumer spending during Fiscal Years 2021 and 2022. Consumers are also expected to reallocate spending from durable goods back to services, many of which are not taxable under the Sales and Use Tax. The fourth full year of collections from taxation of certain online retailers is estimated to yield about \$677.0 million, a decline from the prior year as pandemic-induced elevated consumption patterns tail off. The Sales and Use Tax forecast also includes one new tax policy change: an annual Sales and Use tax holiday for certain retail sales of computers, school computer supplies, school supplies, school art supplies, school instructional materials and sport or recreational equipment (*L. 2022, c. 21*), which is expected to save taxpayers \$75.0 million.

PTBAIT revenue is projected to decrease in Fiscal Year 2023 to \$3.4 billion, a decline of \$440.0 million from the prior year. Another December influx of new payments as large as those in the last two years is not expected to reoccur. Also, some refund activity resulting from revocations and overpayments from Tax Year 2021 may carry over into the next fiscal year, with the tax base stabilizing. Other notable tax revenues expected to decline in Fiscal

Year 2023 from elevated levels in Fiscal Year 2022 are the Transfer Inheritance Tax, down \$169.8 million, and the Realty Transfer Fee, down \$101.0 million.

The following table sets forth actual and estimated revenues for fiscal years ended June 30, 2019 through 2023 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 2019 through 2021 are actual and final. The Fiscal Year 2022 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2023 estimates are as presented in the Fiscal Year 2023 Appropriation 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)

	2023	2022	2021	2020	2019
	Estimated	Estimated	Actual	Actual	Actual
General Fund:					
Sales and Use Tax	\$ 12,607.1	\$ 12,425.4	\$ 11,366.6	\$ 9,786.0	\$ 9,938.6
Sales and Use Tax (Energy Tax Receipts).....	788.5	788.5	788.5	788.5	788.5
Less: Property Tax Dedication	(986.1)	(972.4)	(917.3)	(798.1)	(816.5)
Net Sales and Use Tax	12,409.5	12,241.5	11,237.8	9,776.4	9,910.6
Corporation Business Tax	5,235.0	5,647.7	4,894.9	3,811.6	4,028.7
Business Alternative Income Tax.....	3,400.0	3,840.0	1,968.4	—	—
NJ COVID-19 State Emergency Fund	—	—	4,288.7	—	—
Transfer Inheritance Tax	384.5	554.3	485.3	358.1	417.4
Insurance Premium Tax	585.0	640.0	464.0	622.3	522.2
Fringe Benefit Recoveries	1,146.1	1,009.3	806.9	708.1	736.9
Motor Fuels Tax.....	480.0	467.5	434.4	440.4	500.2
Motor Vehicle Fees	382.7	439.1	477.2	420.3	436.9
Medicaid Uncompensated Care.....	421.4	469.8	524.2	518.5	373.9
Realty Transfer Tax	572.0	673.0	526.2	364.7	374.2
Petroleum Products Gross Receipts.....	1,515.7	1,573.5	1,624.2	1,338.4	1,466.0
Petroleum Products Gross Receipts-Capital Reserves	(654.8)	(770.7)	(844.3)	(578.5)	(872.6)
Corporation Business Tax-Banks and Financials	95.0	105.0	107.8	283.0	292.4
Cigarette Tax.....	91.6	34.8	71.0	80.1	98.9
Alcoholic Beverage Excise Tax	130.0	137.8	140.1	121.8	112.2
Other	2,639.4	2,761.3	2,514.5	2,360.4	2,854.4
Total General Fund ⁽¹⁾	28,833.1	29,823.9	29,721.3	20,625.6	21,252.3
Property Tax Relief Fund:					
Gross Income Tax	19,985.0	20,586.0	17,469.9	16,253.7	15,903.3
Plus: Property Tax Dedication.....	1,007.5	993.8	943.9	820.8	844.5
Gross Property Tax Relief Fund	20,992.5	21,579.8	18,413.8	17,074.5	16,747.8
Gubernatorial Elections Fund-Taxpayer Designations	0.7	0.7	0.3	0.3	0.8
Casino Control Fund-License Fees, Interest.....	68.1	61.6	54.0	50.3	49.1
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	465.1	454.9	363.5	262.5	266.2
Total	<u>\$ 50,359.5</u>	<u>\$ 51,920.9</u>	<u>\$ 48,552.9</u>	<u>\$ 38,013.2</u>	<u>\$ 38,316.2</u>

⁽¹⁾ 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, 2019 through 2023 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 2019 through 2021 are actual and final. The amounts for Fiscal Year 2022 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2023 estimates are as presented in the Fiscal Year 2023 Appropriations Act.

REVENUES — DOLLAR GROWTH (In Millions)

	2023 Estimated	2022 Estimated	2021 Actual	2020 Actual	2019 Actual
General Fund:					
Sales and Use Tax	\$ 181.7	\$1,058.8	\$ 1,580.6	\$(152.6)	\$ 319.4
Sales and Use Tax (Energy Tax Receipts).....	—	—	—	—	—
Less: Property Tax Dedication.....	(13.7)	(55.1)	(119.2)	18.4	(66.5)
Net Sales and Use Tax	168.0	1,003.7	1,461.4	(134.2)	252.9
Corporation Business Taxes	(412.7)	752.8	1,083.3	(217.1)	1,713.2
Business Alternative Income Tax	(440.0)	1,871.6	1,968.4	—	—
NJ COVID-19 State Emergency Fund.....	—	(4,288.7)	4,288.7	—	—
Transfer Inheritance Tax	(169.8)	69.0	127.2	(59.3)	43.5
Insurance Premium Tax.....	(55.0)	176.0	(158.3)	100.1	(69.0)
Fringe Benefit Recoveries	136.8	202.4	98.8	(28.8)	5.8
Motor Fuels Tax	12.5	33.1	(6.0)	(59.8)	(12.3)
Motor Vehicle Fees	(56.4)	(38.1)	56.9	(16.6)	(60.8)
Medicaid Uncompensated Care.....	(48.4)	(54.4)	5.7	144.6	55.0
Realty Transfer Tax.....	(101.0)	146.8	161.5	(9.5)	(2.1)
Petroleum Products Gross Receipts.....	(57.8)	(50.7)	285.8	(127.6)	91.9
Petroleum Products Gross Receipts-Capital Reserves	115.9	73.6	(265.8)	294.1	(48.7)
Corporation Business Tax-Banks and Financials	(10.0)	(2.8)	(175.2)	(9.4)	140.1
Cigarette Tax.....	56.8	(36.2)	(9.1)	(18.8)	(44.0)
Alcoholic Beverage Excise Tax	(7.8)	(2.3)	18.3	9.6	2.7
Other	(121.9)	246.8	154.1	(494.0)	(529.0)
Total General Fund ⁽¹⁾	(990.8)	102.6	9,095.7	(626.7)	1,539.2
Property Tax Relief Fund:					
Gross Income Tax	(601.0)	3,116.1	1,216.2	350.4	865.4
Plus: Property Tax Dedication	13.7	49.9	123.1	(23.7)	75.6
Gross Property Tax Relief Fund	(587.3)	3,166.0	1,339.3	326.7	941.0
Gubernatorial Elections Fund-Taxpayer Designations	—	0.4	—	(0.5)	0.4
Casino Control Fund-Licenses, Interest.....	6.5	7.6	3.7	1.2	1.3
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	10.2	91.4	101.0	(3.7)	48.5
Total	<u>\$(1,561.4)</u>	<u>\$3,368.0</u>	<u>\$10,539.7</u>	<u>\$(303.0)</u>	<u>\$2,530.4</u>

⁽¹⁾ 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, 2019 through 2023 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. These growth percentages are calculated for each individual revenue, therefore, they are not intended to sum when reading down the table. Year over year percentage growth in revenues for Fiscal Years 2019 through 2021 are actual and final. The Fiscal Year 2022 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2023 estimates are as presented in the Fiscal Year 2023 Appropriations Act.

REVENUES — PERCENTAGE GROWTH

	2023 Estimated	2022 Estimated	2021 Actual	2020 Actual	2019 Actual
General Fund:					
Sales and Use Tax.....	1.5%	9.3%	16.2%	(1.5)%	3.3%
Sales and Use Tax (Energy Tax Receipts).....	—	—	—	—	—
Less: Property Tax Dedication.....	1.4	6.0	14.9	(2.3)	8.9
Net Sales and Use Tax.....	1.4	8.9	14.9	(1.4)	2.6
Corporation Business Taxes	(7.3)	15.4	28.4	(5.4)	74.0
Business Alternative Income Tax	(11.5)	95.1	—	—	—
NJ COVID-19 State Emergency Fund.....	—	(100.0)	—	—	—
Transfer Inheritance Tax.....	(30.6)	14.2	35.5	(14.2)	11.6
Insurance Premium Tax.....	(8.6)	37.9	(25.4)	19.2	(11.7)
Fringe Benefit Recoveries	13.6	25.1	14.0	(3.9)	0.8
Motor Fuels Tax	2.7	7.6	(1.4)	(12.0)	(2.4)
Motor Vehicle Fees	(12.8)	(8.0)	13.5	(3.8)	(12.2)
Medicaid Uncompensated Care	(10.3)	(10.4)	1.1	38.7	17.2
Realty Transfer Tax	(15.0)	27.9	44.3	(2.5)	(0.6)
Petroleum Products Gross Receipts	(3.7)	(3.1)	21.4	(8.7)	6.7
Petroleum Products Gross Receipts-Capital Reserves	(15.0)	(8.7)	45.9	(33.7)	5.9
Corporation Business Tax-Banks and Financials.....	(9.5)	(2.6)	(61.9)	(3.2)	92.0
Cigarette Tax	163.2	(51.0)	(11.4)	(19.0)	(30.8)
Alcoholic Beverage Excise Tax	(5.7)	(1.6)	15.0	8.6	2.5
Other.....	(4.4)	9.8	6.5	(17.3)	(15.6)
Total General Fund ⁽¹⁾	(3.3)	0.3	44.1	(2.9)	7.8
Property Tax Relief Fund:					
Gross Income Tax.....	(2.9)	17.8	7.5	2.2	5.8
Plus: Property Tax Dedication	1.4	5.3	15.0	(2.8)	9.8
Gross Property Tax Relief Fund.....	(2.7)	17.2	7.8	2.0	6.0
Gubernatorial Elections Fund-Taxpayer Designations.....	—	133.3	—	(62.5)	100.0
Casino Control Fund-Licenses, Interest	10.6	14.1	7.4	2.4	2.7
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest.....	2.2	25.1	38.5	(1.4)	22.3
Total	(3.0)%	6.9%	27.7%	(0.8)%	7.1%

⁽¹⁾ 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, 2019 through 2023 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 2019 through 2021 are actual and final. The Fiscal Year 2022 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2023 estimates are as presented in the Fiscal Year 2023 Appropriations Act.

REVENUES — PERCENT OF TOTAL

	2023 Estimated	2022 Estimated	2021 Actual	2020 Actual	2019 Actual
General Fund:					
Sales and Use Tax.....	25.0%	23.9%	23.4%	25.8%	25.9%
Sales and Use Tax (Energy Tax Receipts).....	1.6	1.5	1.6	2.1	2.1
Less: Property Tax Dedication.....	(2.0)	(1.9)	(1.9)	(2.1)	(2.1)
Net Sales and Use Tax.....	24.6	23.5	23.1	25.8	25.9
Corporation Business Taxes	10.4	10.9	10.1	10.0	10.5
Business Alternative Income Tax	6.8	7.4	4.1	—	—
NJ COVID-19 State Emergency Fund.....	—	—	8.8	—	—
Transfer Inheritance Tax.....	0.8	1.1	1.0	0.9	1.1
Insurance Premium Tax	1.2	1.2	1.0	1.6	1.4
Fringe Benefit Recoveries	2.3	2.0	1.7	1.9	1.9
Motor Fuels Tax	1.0	0.9	0.9	1.2	1.3
Motor Vehicle Fees	0.7	0.9	1.0	1.1	1.1
Medicaid Uncompensated Care	0.8	0.9	1.1	1.4	1.0
Realty Transfer Tax	1.1	1.3	1.1	1.0	1.0
Petroleum Products Gross Receipts	3.0	3.0	3.3	3.5	3.8
Petroleum Products Gross Receipts-Capital Reserves	(1.3)	(1.5)	(1.7)	(1.5)	(2.3)
Corporation Banks and Financials	0.2	0.2	0.2	0.7	0.8
Cigarette Tax	0.2	0.1	0.1	0.2	0.3
Alcoholic Beverage Excise Tax	0.3	0.3	0.3	0.3	0.3
Other.....	5.2	5.3	5.2	6.2	7.4
Total General Fund ⁽¹⁾	57.3	57.5	61.3	54.3	55.5
Property Tax Relief Fund:					
Gross Income Tax	39.7	39.6	36.0	42.8	41.5
Plus: Property Tax Dedication	2.0	1.9	1.9	2.2	2.2
Gross Property Tax Relief Fund.....	41.7%	41.5%	37.9%	45.0%	43.7%
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	0.9	0.9	0.7	0.6	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%

⁽¹⁾ 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.

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, and amended by *L. 2021, c. 160*, 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 2022, and provides the current projected utilization for Fiscal Year 2023. Actual utilization was 69.4 percent of the original projection in Fiscal Year 2018, but declined to the 45.0 percent to 50.0 percent range over the next three fiscal years. The preliminary estimate for actual credit utilization rose again to 68.4 percent in Fiscal Year 2022, likely accounting for some portion of the record level of CBT refund activity over the past 12 months. Fiscal Year 2023 credit utilization is currently projected at \$1.1 billion. The Fiscal Year 2023 revenue forecast assumes a utilization rate for Legacy programs consistent with recent years. 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	Fiscal Year 2022	Fiscal Year 2023
Projected Utilization	\$479.6	\$660.7	\$872.1	\$876.8	\$883.7	\$1,096.3**
Actual Utilization	\$332.7	\$308.3	\$396.3	\$437.8	\$604.8*	n/a
Difference	\$146.8	\$352.3	\$475.8	\$439.0	\$278.9	n/a

*Preliminary, subject to revision.

**Projection subject to revision.

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 and estimated utilization for the seven new primary programs created by the NJ ERA:

Summary of NJ ERA Tax Credit Programs
(In Millions)

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

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 percent 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 percent 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 2019 through Fiscal Year 2023

The following table sets forth the composition of annual appropriations in Fiscal Years 2019 through 2023, 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 2019 through 2021 are actual and final. The Fiscal Year 2022 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2023 estimates are as presented in the Fiscal Year 2023 Appropriations Act, as amended by supplemental appropriations adopted shortly after the enactment of the Fiscal Year 2023 Appropriations Act.

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

	For the Fiscal Year Ended June 30,				
	2023 Act	2022 Estimated	2021 Actual	2020 Actual	2019 Actual
General Fund					
Legislature	\$ 109.9	\$ 107.1	\$ 96.5	\$ 80.9	\$ 89.6
Chief Executive	11.7	9.2	7.2	5.9	6.7
Department of:					
Agriculture	104.2	116.8	88.2	79.4	43.3
Banking and Insurance	90.3	89.5	64.0	140.6	64.0
Children and Families	1,314.0	1,298.8	1,212.1	1,144.0	1,160.4
Community Affairs	320.7	388.1	152.3	124.0	122.2
Corrections	1,102.9	1,119.8	1,044.7	1,033.6	1,039.7
Education	271.6	1,257.4	2,743.3	484.0	232.1
Environmental Protection	492.1	745.6	489.4	506.4	422.8
Health	1,157.6	1,186.4	1,120.6	985.7	948.3
Human Services	7,586.5	6,838.9	6,250.0	5,892.2	6,186.2
Labor and Workforce Development	202.7	208.9	176.3	169.6	167.6
Law and Public Safety	735.2	707.0	659.6	600.4	629.0
Military and Veterans' Affairs	103.9	102.6	96.4	95.9	95.9
State	1,822.5	1,766.1	1,496.0	1,300.3	1,370.0
Transportation	1,575.1	1,588.1	1,839.2	1,732.5	1,583.7
Treasury	1,887.5	1,760.3	1,640.5	1,038.4	1,322.6
Miscellaneous Commissions	1.0	1.0	0.8	0.7	0.8
Interdepartmental Accounts - Employee Benefits and Miscellaneous	6,714.4	11,725.6	8,777.0	4,638.6	4,615.3
Judicial Branch	852.1	852.1	810.5	789.3	762.3
Total, General Fund	<u>26,455.9</u>	<u>31,869.3</u>	<u>28,764.6</u>	<u>20,842.4</u>	<u>20,862.5</u>
Property Tax Relief Fund					
Department of:					
Agriculture	18.6	18.2	13.2	5.6	5.6
Community Affairs	997.5	856.5	824.9	742.4	757.7
Corrections	33.4	25.6	23.5	22.2	22.5
Education	18,330.9	16,890.5	12,893.3	14,458.0	14,072.0
Environmental Protection	14.3	7.8	6.5	4.0	4.0
Human Services	245.3	247.3	228.5	197.7	197.7
Law and Public Safety	5.5	5.0	4.6	3.0	3.0
State	6.8	5.0	3.7	3.7	3.7
Transportation	319.3	301.9	228.9	218.5	218.6
Treasury	3,689.0	1,975.9	1,783.8	1,602.2	1,497.7
Interdepartmental Accounts - Employee Benefits and Miscellaneous	45.4	45.4	45.4	40.1	45.4
Total, Property Tax Relief Fund	<u>23,706.0</u>	<u>20,379.1</u>	<u>16,056.3</u>	<u>17,297.4</u>	<u>16,827.9</u>
Gubernatorial Elections Fund					
Department of:					
Law and Public Safety	—	21.5	11.0	—	—
Total, Gubernatorial Elections Fund	<u>—</u>	<u>21.5</u>	<u>11.0</u>	<u>—</u>	<u>—</u>
Casino Control Fund					
Department of:					
Law and Public Safety	60.1	55.0	53.3	48.4	44.0
Treasury	8.0	7.4	7.6	7.3	7.3
Total, Casino Control Fund	<u>68.1</u>	<u>62.4</u>	<u>60.9</u>	<u>55.7</u>	<u>51.3</u>
Casino Revenue Fund					
Department of:					
Health	0.5	0.5	0.5	0.5	0.5
Human Services	462.3	335.7	364.1	260.0	269.6
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	<u>465.1</u>	<u>338.5</u>	<u>366.9</u>	<u>262.8</u>	<u>272.4</u>
Total Appropriations	<u>\$50,695.1</u>	<u>\$52,670.8</u>	<u>\$45,259.7</u>	<u>\$38,458.3</u>	<u>\$38,014.3</u>

⁽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 and anticipated supplemental appropriations for Fiscal Years 2019 through 2021, the adjusted appropriations for Fiscal Year 2022, which is subject to further adjustment pending completion of the annual audit and the appropriations for Fiscal Year 2023 as presented in the Fiscal Year 2023 Appropriations Act, as amended by supplemental appropriations enacted shortly after the enactment of the Fiscal Year 2023 Appropriations Act.

SUMMARY OF APPROPRIATIONS BY MAJOR CATEGORY
(In Millions)

	Fiscal Year 2023 Estimated	Fiscal Year 2022 Estimated	Fiscal Year 2021 Actual	Fiscal Year 2020 Actual	Fiscal Year 2019 Actual
State Aid	\$21,739.1	\$20,767.9	\$18,231.0	\$17,359.4	\$16,715.8
Grants-in-Aid	16,001.6	13,989.3	12,204.3	10,804.1	11,214.5
Direct State Services	10,389.1	10,116.9	8,593.6	8,123.2	8,031.7
Capital Construction	1,944.5	7,401.5	5,589.6	1,827.2	1,727.8
Debt Service on General Obligation Bonds	620.8	395.2	641.2	344.4	324.5
Total	\$50,695.1	\$52,670.8	\$45,259.7	\$38,458.3	\$38,014.3

Total Fiscal Year 2023 appropriations decreased by \$1.975 billion as compared to total Fiscal Year 2022 adjusted appropriations. The Fiscal Year 2022 adjusted appropriations include a supplemental appropriation of \$5.15 billion to the New Jersey Debt Defeasance and Prevention Fund. Not taking into account that supplemental appropriation, the Fiscal Year 2023 appropriations increased by \$3.175 billion. Significant increases include increased funding for PreK-12 school aid, growth to support the expansion of the Affordable New Jersey Communities for Homeowners and Renters (“ANCHOR”) program, previously known as the Homestead Benefit Program, increased costs in entitlement programs such as NJFamilyCare, increased debt service, mainly attributable to the costs of the New Jersey COVID-19 General Obligation Emergency Bonds, 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 2023 and adjusted appropriations by department and major category for Fiscal Year 2022.

**APPROPRIATIONS FOR BUDGETED STATE FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2023
(In Millions)**

<u>Government Branch</u>	<u>Direct State Services</u>	<u>Grants-in-Aid</u>	<u>State Aid</u>	<u>Capital Construction</u>	<u>Debt Service</u>	<u>Total</u>
Chief Executive	\$ 11.7	\$ —	\$ —	\$ —	\$ —	\$ 11.7
Agriculture.....	10.3	93.9	18.6	—	—	122.8
Banking and Insurance.....	90.3	—	—	—	—	90.3
Children and Families.....	367.4	946.6	—	—	—	1,314.0
Community Affairs.....	60.3	250.6	1,007.3	—	—	1,318.2
Corrections.....	997.7	105.2	33.4	—	—	1,136.3
Education.....	102.9	10.5	18,489.1	—	—	18,602.5
Environmental Protection	279.1	2.2	20.5	173.6	31.0	506.4
Health	438.7	719.4	—	—	—	1,158.1
Human Services.....	300.1	7,507.3	486.7	—	—	8,294.1
Labor and Workforce Development.....	114.5	90.4	—	—	—	204.9
Law and Public Safety.....	744.8	45.5	7.1	3.5	—	800.9
Military and Veterans' Affairs.....	101.0	2.9	—	—	—	103.9
State.....	78.2	1,720.9	30.2	—	—	1,829.3
Transportation.....	102.2	120.0	119.3	1,552.9	—	1,894.4
Treasury.....	590.4	2,877.4	1,526.9	—	589.8	5,584.5
Miscellaneous Commissions.....	1.0	—	—	—	—	1.0
Interdepartmental	5,036.5	1,508.8	—	214.5	—	6,759.8
Subtotal.....	9,427.1	16,001.6	21,739.1	1,944.5	620.8	49,733.1
Legislature.....	109.9					109.9
Judiciary	852.1					852.1
Grand Total.....	\$10,389.1	\$16,001.6	\$21,739.1	\$1,944.5	\$620.8	\$50,695.1

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**ADJUSTED 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	9.3	27.5	18.2	80.0	—	135.0
Banking and Insurance	89.5	—	—	—	—	89.5
Children and Families.....	341.4	957.4	—	—	—	1,298.8
Community Affairs	102.0	278.4	864.2	—	—	1,244.6
Corrections	992.8	127.0	25.6	—	—	1,145.4
Education.....	103.2	287.8	17,756.9	—	—	18,147.9
Environmental Protection.....	273.1	15.6	13.6	419.0	32.1	753.4
Health.....	438.1	748.8	—	—	—	1,186.9
Human Services.....	305.4	6,667.4	449.1	—	—	7,421.9
Labor and Workforce Development	124.5	86.6	—	—	—	211.1
Law and Public Safety.....	724.0	59.6	5.0	—	—	788.6
Military and Veterans' Affairs.....	99.5	3.1	—	—	—	102.6
State.....	56.0	1,641.8	73.3	—	—	1,771.1
Transportation	133.7	113.6	101.9	1,540.8	—	1,890.0
Treasury	555.3	1,365.1	1,460.1	—	363.1	3,743.6
Miscellaneous Commissions	1.0	—	—	—	—	1.0
Interdepartmental.....	4,799.7	1,609.6	—	5,361.7	—	11,771.0
Subtotal	9,157.7	13,989.3	20,767.9	7,401.5	395.2	51,711.6
Legislature	107.1	—	—	—	—	107.1
Judiciary.....	852.1	—	—	—	—	852.1
Grand Total	\$10,116.9	\$13,989.3	\$20,767.9	\$7,401.5	\$395.2	\$52,670.8

Programs Funded Under Appropriations in Fiscal Year 2023

\$50.695 billion in appropriations is appropriated for Fiscal Year 2023 from the General Fund, the Property Tax Relief Fund, the Casino Control Fund and the Casino Revenue Fund. \$21.739 billion (43%) 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. \$16.001 billion (32%) 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. \$10.389 billion (20%) 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. \$1.944 billion (4%) is appropriated for Capital Construction, which supports capital construction pay-as-you-go and debt service on bonds issued to fund capital construction. \$621 million (1%) is appropriated for Debt Service on State General Obligation Bonds.

In Fiscal Year 2023, \$5.719 billion of State funds has been appropriated to the Pension Plans. This amount is equal to the actuarially recommended contribution less a Special Asset Adjustment calculated by LECA. See "STATE FUNDING OF PENSION PLANS" herein. 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 25, 2022. 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 2023, 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 2023 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

The Fiscal Year 2023 Appropriations Act includes a \$2 billion Transportation Capital Program for the New Jersey Department of Transportation ("NJDOT"), NJ Transit and local governments. *L. 2016, c. 56*, provides for an eight (8) year, \$16 billion Transportation Capital Program between Fiscal Year 2017 and Fiscal Year 2024. *L. 2022, c. 38* increased the overall Transportation Capital Program size to \$16.6 billion in order to maintain the Program at least an average of \$2 billion after the advancement of \$600 million of capital projects in Fiscal Year 2021 to help stimulate the State economy during the height of the pandemic.

Debt Service on General Obligation Bonds and State Appropriation Obligations

The total Fiscal Year 2023 appropriation for debt service on General Obligation Bonds and State Appropriation Obligations is \$4.46 billion. Of this amount, \$620.8 million represents principal and interest payments for General Obligation Bonds.

The Fiscal Year 2023 Appropriations Act includes appropriations for debt service on State Appropriation Obligations are in the aggregate amount of \$3.839 billion. 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, 2022" and "ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2022" due to various budgetary adjustments.

Risk Factors That May Affect Fiscal Year 2023 Appropriations

Fiscal Year 2023 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 pandemic-related expenditures, as well as future pandemic mitigation and response expenditures, including testing, treatment and vaccination delivery could increase spending. Additionally, inflation could increase spending across State government; however, the exact nature of such impacts on spending is unknown.

In Fiscal Year 2023, medical costs for NJ FamilyCare could fluctuate based on actual utilization rates, 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 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.

Due to the provisions of the Family First Coronavirus Response Act, states are not permitted to disenroll beneficiaries from the Medicaid program until the last day of the month in which the federally-declared public health emergency ends. The Fiscal Year 2023 appropriations for NJ FamilyCare assume a pace of disenrollments after the end of the public health emergency based on historical trends. However, the precise level and speed of disenrollments

is impossible to know ahead of time. Disenrollments will be closely monitored once the public health emergency concludes.

In Fiscal Year 2023, appropriations for State health benefit costs are \$3.79 billion, which is increased from the estimated Fiscal Year 2022 cost of \$3.44 billion. State health benefit costs may fluctuate based on actual utilization, changing prescription drug prices, and rebates. In addition to these factors, inflationary pressures may increase State health care costs faster than anticipated, prompting the need for additional State appropriations for employee health benefits and post-retirement medical benefits. State health benefits spending declined at the onset of the pandemic. The combined average annual spending growth for both active employees and retirees exceeded 10% in Fiscal Years 2021 and 2022, with active employees being the main driver of the increase. Current trends indicate Fiscal Year 2023 State health benefits costs could continue to increase at this pace. Such increases contrast with the fiscal years immediately preceding the pandemic, when annual spending was relatively flat. New Jersey's current experience reflects national trends.

In Fiscal Year 2023, total budgeted salary costs, across all funding sources, approximates \$6.3 billion, which is a 4.4% increase over the same figure from Fiscal Year 2022 of \$6.0 billion. Budgeted salary costs have increased by 3.6%, on average, since Fiscal Year 2019. These increases are attributable to contracted salary increases, regular anniversary step costs, and assumptions regarding the timing of hiring, separations and the value of the salaries for State employees. Actual salary expenditures have generally been in line with the budgeted costs, with Fiscal Year 2022 salary spending representing over 98% of total budgeted costs. In addition to the budgeted salary costs, the Fiscal Year 2023 Appropriations Act also includes \$120 million to support contractual salary increases for Executive Branch employees across all bargaining units, including those that are unsettled. As union salary contracts settle, adjustments may be needed to account for the difference between the budgeted and negotiated cost of living adjustments. The majority of the Executive Branch employee collective negotiation agreements will expire on June 30, 2023. See "STATE EMPLOYEES" herein. Any future costs related to ongoing contract negotiations are currently unknown, although it is expected that inflationary pressures may play a role in shaping future contract terms. While inflationary pressures could impact cost of living adjustments, such pressures may be balanced out by the decreasing number of Executive Branch employees. This trend may mitigate the ultimate cost of future contracts. Since February 2018, the total State workforce has declined by more than 3,500 employees, and as of the latest pay period, the State has more than 7,500 vacancies.

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 the pandemic 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 revised guidance provided by the U.S. Department of Education, New Jersey may not meet the maintenance of effort requirement as it relates to higher education. The State will refine its maintenance of effort calculation as final Fiscal Year 2022 data is available to determine if the State has met the requirements. Although New Jersey has requested a waiver, it is uncertain whether that waiver will be granted, or if the U.S. Department of Education will provide additional flexibility to States in determining whether they have met the maintenance of effort requirements. It is also uncertain how New Jersey will rectify the maintenance of effort issue, should the waiver request be denied, or additional flexibility not be provided. 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. While \$16.7 million in additional aid for the qualifying highest need districts who have experienced funding cuts has been budgeted in Fiscal Years 2022 and 2023, the U.S. Department of Education has determined that the State is in violation of its maintenance of equity requirements. Based on

calculations from the New Jersey Department of Education, total funding of approximately \$126 million in Fiscal Year 2022 has been provided to districts. The need for Fiscal Year 2023 is currently unknown as the calculation is dependent on an October 2022 enrollment count. It is estimated that the Fiscal Year 2023 need will be similar to the Fiscal Year 2022 need. If additional funding is required, a supplemental appropriation will need to be enacted by the Legislature. No assurances can be given that the State Legislature would enact such a supplemental appropriation.

Following enactment of the annual appropriations act, the State closely monitors revenues and expenditures, comparing actual results to projections. In prior fiscal years, 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 2022 and 2023, 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 the fiscal year, 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 2019 through 2021, which are non-budgeted revenues, amounted to \$14,951.7 million, \$16,414.2 million and \$20,348.0 million, respectively. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2022 and for Fiscal Year 2023 are estimated to be \$20,503.2 million and \$23,382.6 million respectively. Such federal aid receipts for Fiscal Year 2023 are composed of \$14,110.5 million for health-related family programs under Titles XIX and XXI, \$1,414.1 million for other human services, \$1,012.3 million for Title I and other education, \$548.3 million for labor, \$1,931.6 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 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 CRRSA, which amended and supplemented the CARES Act, and the 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 pandemic.

The State has utilized some of the federal funding streams to offset State budgeted costs. The State received \$6.2 billion in direct SLFRF and allocated approximately \$4.7 billion to various multi-year State programs as of August 2022. The State is able to use SLFRF to offset pandemic revenue losses. Using SLFRF guidance and the U.S. Department of Treasury's final ruling, that became effective April 1, 2022, the State's Fiscal Year 2020 revenue loss amounted to \$4.699 billion. Since remaining SLFRF balances are less than the Fiscal Year 2020 revenue loss amount,

New Jersey may only use up to the remaining balances to offset pandemic revenue losses. To date, the State has not applied any of the SLFRF to revenue losses.

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 2019 through 2021.

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.

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EXPENDITURES
(In Millions)

	For the Fiscal Year Ended June 30		
	2021	2020	2019
General Fund:			
Legislative Branch	\$ 89.7	\$ 86.9	\$ 86.8
Chief Executive's Office	8.0	8.2	7.8
Department of:			
Agriculture	746.7	675.6	565.2
Banking and Insurance	54.5	90.5	56.5
Children and Families	1,799.3	1,910.7	1,875.3
Community Affairs	1,466.7	821.3	635.3
Corrections	1,149.2	1,169.9	1,163.5
Education	6,961.7	1,766.5	1,188.5
Environmental Protection	647.9	584.2	672.0
Health	2,450.8	2,086.7	2,384.2
Human Services	20,380.1	18,725.4	17,431.2
Labor and Workforce Development	885.0	788.0	795.7
Law and Public Safety	1,843.9	1,476.8	1,298.8
Military and Veterans' Affairs	157.2	161.1	155.8
State	1,732.9	1,366.9	1,355.4
Transportation	2,819.2	3,198.1	3,159.5
Treasury	2,118.1	1,495.2	1,696.8
Miscellaneous Executive Commissions	0.8	0.7	0.8
Interdepartmental Accounts	8,829.9	4,622.2	4,508.2
Judicial Branch	904.1	901.4	946.9
Total General Fund	\$55,045.7	\$41,936.3	\$39,984.2
Property Tax Relief Fund:			
Department of:			
Agriculture	\$ 8.6	\$ 5.6	\$ 5.6
Community Affairs	363.5	319.8	379.9
Corrections	21.9	21.6	22.5
Education	12,832.6	14,217.2	14,032.2
Environmental Protection	4.8	4.8	4.8
Health	—	—	12.1
Human Services	220.2	200.0	182.2
Law and Public Safety	4.5	3.0	3.0
State	3.7	3.6	3.7
Transportation	223.4	218.8	218.6
Treasury	2,164.8	1,996.8	1,838.8
Interdepartmental	45.2	39.8	45.3
Total Property Tax Relief Fund	\$15,893.2	\$17,031.0	\$16,748.7
Gubernatorial Elections Fund:			
Law and Public Safety	\$ 10.6	\$ —	\$ —
Casino Control Fund:			
Department of:			
Law and Public Safety	\$ 49.1	\$ 45.2	\$ 43.9
Treasury	5.3	5.3	5.4
Total Casino Control Fund	\$ 54.4	\$ 50.5	\$ 49.3
Casino Revenue Fund:			
Department of:			
Health	\$ 0.5	\$ 0.5	\$ 0.5
Human Services	363.9	259.7	264.2
Labor and Workforce Development	0.8	2.2	2.2
Law and Public Safety	0.1	0.1	0.1
Total Casino Revenue Fund	\$ 365.3	\$ 262.5	\$ 267.0
Total Expenditures	\$71,369.2	\$59,280.3	\$57,049.2

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 is received in the second half of the fiscal year and over 35% of net major tax revenues is received during the last quarter of the fiscal year. At times, this timing imbalance has led to State revenues only 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 in order to manage cash on a daily basis and forecast cash flow throughout the fiscal year. Should it become necessary, the State may utilize a variety of tools to manage its cash flow. 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 eliminating and/or limiting the use of General Fund balances to provide upfront cash for other funds' expenditures, such as the Transportation Trust Fund ("TTF").

Despite these challenges, recent influxes of federal funding and strong revenue collections have eliminated the need for the State to rely upon the issuance of TRANs. No TRANs have been issued for the past two fiscal years, and the State will not issue TRANs during Fiscal Year 2023.

TAX AND REVENUE ANTICIPATION NOTES

The State has the ability to issue TRANs to aid in providing effective cash flow management by funding timing imbalances that 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 will not issue TRANs during Fiscal Year 2023.

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 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 2021 ACFR which is incorporated by specific reference herein. See also the table captioned “STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2021 AND 2020” in the 2021 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 2023 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, 2021 AND 2020” in the 2021 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, 2022 and the estimated Fiscal Year 2023 debt service on such obligations. The second table depicts the aggregate estimated future debt service as of June 30, 2022 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 Obligations in the 2021 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, 2022**

Issuer	Type of Agreement	Principal Amount Outstanding⁽¹⁾	Fiscal Year 2023 Debt Service⁽²⁾
General Obligation Bonds	General Obligation	\$5,019,335,000	\$631,250,923
<i>State Appropriation Bonds by Issuer or Program:</i>			
Garden State Preservation Trust	Contract	412,706,342	97,640,300
New Jersey Building Authority	Lease	45,565,000	15,462,206
New Jersey Economic Development Authority			
Biomedical Research Facilities	Contract	39,450,000	3,466,098
Department of Human Services Programs	Service Contract	2,262,000	690,375
Liberty State Park Project	Lease	35,635,000	8,108,225
Motor Vehicle Surcharges Revenue	Contract	622,760,000	59,141,006
Motor Vehicle Surcharges Revenue - Special Needs Housing	Contract	123,798,391	43,056,675
Municipal Rehabilitation	Contract	71,485,000	14,231,077
New Jersey Transit Corporation Projects	Lease	934,010,000	108,652,625
School Facilities Construction	Contract	6,530,753,000	1,021,064,210
State House Project	Lease	310,480,000	23,797,509
State Government Buildings Projects		348,780,000	24,568,400
State Pension Funding	Contract	1,822,035,286	506,962,677
State Police Barracks Project	Lease	905,000	950,250
New Jersey Educational Facilities Authority			
Capital Improvement Fund	Contract	302,105,000	69,267,509
Equipment Leasing Fund Program	Contract	6,165,000	6,473,250
Facilities Trust Fund	Contract	116,600,000	19,691,331
Public Library Project Grant Program	Contract	3,630,000	3,720,750
Technology Infrastructure Fund	Contract	19,680,000	3,731,725
New Jersey Health Care Facilities Financing Authority			
Greystone Park Psychiatric Hospital Project	Contract	139,735,000	17,566,838
Hospital Asset Transformation Program	Contract	157,230,000	14,896,125
Marlboro Psychiatric Hospital Project	Contract	61,735,000	3,866,375
New Jersey Sports and Exposition Authority	Contract	83,245,000	32,891,777
New Jersey Transportation Trust Fund Authority			
Transportation Program Bonds	Contract	6,773,120,000	372,941,250
Transportation System Bonds	Contract	8,553,875,716	1,025,657,778
State-Supported County College Bonds	Statutory	183,868,132	32,823,289
State Equipment Line of Credit	Lease	23,393,285	14,528,074
Master Energy Lease Purchase Agreement	Lease	57,893,098	8,245,962
TOTALS		\$32,802,235,249	\$4,185,344,587

⁽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, 2022. (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, 2022**

Fiscal Year	General Obligation Bonds		State Appropriation Obligations		Total
	Principal	Interest	Principal ⁽¹⁾	Interest ⁽¹⁾⁽²⁾	
2023	\$ 417,010,000	\$ 214,240,923	\$ 1,952,059,054	\$ 1,602,034,611	\$ 4,185,344,587
2024	392,185,000	197,380,510	1,843,884,765	1,526,013,549	3,959,463,824
2025	410,755,000	178,661,335	1,784,757,008	1,584,972,361	3,959,145,704
2026	430,080,000	159,418,045	1,986,486,162	1,345,300,217	3,921,284,424
2027	450,255,000	139,310,033	1,768,382,653	1,200,293,758	3,558,241,444
2028	451,030,000	117,939,533	1,904,734,094	1,109,322,561	3,583,026,188
2029	444,905,000	96,338,013	1,399,682,636	1,063,529,683	3,004,455,331
2030	466,440,000	75,112,120	750,207,587	939,144,187	2,230,903,894
2031	467,440,000	57,191,330	810,597,765	916,054,153	2,251,283,248
2032	485,550,000	39,145,005	813,422,903	890,029,608	2,228,147,516
2033	120,945,000	21,871,903	949,544,859	839,298,573	1,931,660,334
2034	94,175,000	17,689,288	982,390,860	802,360,198	1,896,615,345
2035	97,490,000	14,631,013	1,033,876,028	765,746,502	1,911,743,543
2036	60,340,000	11,459,325	906,210,238	843,510,351	1,821,519,914
2037	62,275,000	9,774,250	915,971,824	785,339,770	1,773,360,845
2038	34,460,000	8,011,500	866,196,526	774,253,618	1,682,921,644
2039	36,285,000	6,700,000	874,055,920	825,351,010	1,742,391,931
2040	37,860,000	4,885,750	1,057,115,782	689,456,239	1,789,317,771
2041	40,040,000	2,992,750	1,224,278,582	354,965,159	1,622,276,491
2042	19,815,000	990,750	750,395,000	173,744,777	944,945,527
2043	—	—	607,955,000	139,313,725	747,268,725
2044	—	—	516,430,000	110,739,650	627,169,650
2045	—	—	394,265,000	87,176,150	481,441,150
2046	—	—	366,565,000	70,854,400	437,419,400
2047	—	—	358,585,000	55,100,619	413,685,619
2048	—	—	349,200,000	39,918,356	389,118,356
2049	—	—	336,675,000	25,271,125	361,946,125
2050	—	—	278,975,000	11,326,900	290,301,900
	<u>\$5,019,335,000</u>	<u>\$1,373,743,373</u>	<u>\$27,782,900,249</u>	<u>\$19,570,421,808</u>	<u>\$53,746,400,430</u>

⁽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, 2022. (See “LONG-TERM OBLIGATIONS – Description of Certain Long-Term Obligations – Variable Rate Obligations” herein.)

New Jersey Debt Defeasance and Prevention Fund

L. 2021, c. 125, enacted on June 29, 2021 (the “2021 Act”), established the New Jersey Debt Defeasance and Prevention Fund (the “Debt Defeasance and Prevention Fund”). The Debt 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 2021 Act appropriated \$3.7 billion from the State’s General Fund into the Debt 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.

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During Fiscal Year 2022, the State defeased the following obligations:

Description and Par Amount of Defeased Obligations

Bond Issue	Par Amount Defeased (\$)
General Obligation Bonds, Series 2013	111,950,000
General Obligation Bonds, Series 2014	128,930,000
General Obligation Bonds, Series 2016	34,810,000
NJ Building Authority, State Building Revenue Refunding Bonds, Series 2009A	17,715,000
NJ Building Authority, State Building Revenue Refunding Bonds, Series 2016A	16,260,000
NJEDA Cigarette Tax Revenue Refunding Bonds, Series 2012	255,930,000 ⁽¹⁾
NJEDA School Facilities Construction Refunding Bonds, 2012 Series II	35,450,000
NJEDA School Facilities Construction Bonds, 2012 Series KK	31,360,000
NJEDA School Facilities Construction Refunding Bonds, 2013 Series NN	616,970,000
NJEDA School Facilities Construction Refunding Bonds, 2014 Series PP	227,800,000
NJEDA School Facilities Construction Bonds, 2014 Series RR	13,955,000
NJEDA School Facilities Construction Bonds, 2014 Series UU	109,460,000
NJEDA School Facilities Construction Bonds, 2015 Series WW	127,155,000
NJEDA School Facilities Construction Bonds, 2016 Series AAA	31,665,000
NJEDA School Facilities Construction Refunding Bonds, 2016 Series BBB	444,585,000
NJEDA School Facilities Construction Bonds, 2017 Series DDD	42,680,000

⁽¹⁾ The full outstanding par amount of the NJEDA Cigarette Tax Revenue Refunding Bonds, Series 2012 of \$436,940,000 was defeased. Of this amount, \$255,930,000 par amount was defeased from funds drawn from the Debt Defeasance and Prevention Fund and \$181,010,000 par amount was defeased from existing funds in the debt service fund and the debt service reserve fund already pledged to the Cigarette Tax Revenue Refunding Bonds.

These defeasances are included in the amounts shown in the tables entitled “SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2022” and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2022.” The escrow deposit agreement for each defeasance has been filed with the Municipal Securities Rulemaking Board (“MSRB”) in connection with each series of defeased bonds.

L. 2022, c. 18, enacted on June 30, 2022 (the “2022 Act”), appropriated \$5.15 billion to the Debt Defeasance and Prevention Fund. Of that amount, \$1.9 billion was appropriated to the New Jersey Schools Development Authority for the purpose of funding school facilities projects, emergent needs, and capital maintenance in school districts; \$230,000,000 was appropriated to the NJDOT for various capital projects; \$814,000,000 was appropriated to NJ Transit for various capital projects; and the remaining \$2.971 billion (which includes funds from the 2021 Act) in the Debt Defeasance and Prevention Fund was appropriated 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.

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 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, 2022, under these programs, the NJEFA has, in aggregate, approximately \$582,630,000 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 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, 2022, 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, 2022.

SUMMARY OF VARIABLE RATE OBLIGATIONS AS OF JUNE 30, 2022

Issuer	Series	Type-Reset Period	Amount Outstanding (\$ as of 6/30/22	Index Rate (if applicable)	Interest Rate as of 6/30/22	Maturity Date
<u>NJEDA</u>	2013 Series I	FRN-Weekly	\$ 60,850,000	SIFMA+1.25%	2.16%	9/01/25
School Facilities Construction	2013 Series I	FRN-Weekly	89,580,000	SIFMA+1.55	2.46	9/01/27
	2013 Series I	FRN-Weekly	230,085,000	SIFMA+1.60	2.51	3/01/28
		Total	<u>\$380,515,000</u>			

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 applicable State contract, an action that materially 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 applicable 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, 2022 is \$1,400,473,000. 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, 2022.

BANK LOAN PORTFOLIO

<u>Lender</u>	<u>Series</u>	<u>Tax Status</u>	<u>Amount Outstanding (\$) as of 6/30/22</u>	<u>Fixed Interest Rate*</u>	<u>Maturity Date</u>
<u>NJEDA School Facilities Construction Bonds</u>					
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	1,519,000	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	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	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	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	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			\$1,301,443,000		
<u>NJEDA Municipal Rehabilitation Bonds</u>					
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		

<u>Lender</u>	<u>Series</u>	<u>Tax Status</u>	<u>Amount Outstanding (\$) as of 6/30/22</u>	<u>Fixed Interest Rate*</u>	<u>Maturity Date</u>
<u>NJEFA Higher Education Capital Improvement Fund Bonds</u>					
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	\$ 50,010,000		
		Grand Total	\$1,400,473,000		

* 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, 2022, 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, 2022 and debt service for Fiscal Year 2023.

	<u>Principal Amount Outstanding</u>	<u>Fiscal Year 2023 Debt Service</u>
South Jersey Port Corporation.....	\$ 181,795,000	\$ 22,012,695
South Jersey Port Corporation Subordinated.....	255,000,000	12,750,000
Higher Education Student Assistance Authority	1,417,065,000	211,008,552
	<u>\$1,853,860,000</u>	<u>\$245,771,247</u>

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 2023.

<u>Fiscal Year</u>	<u>Amounts Paid for Debt Service</u>	<u>Amounts Paid for Debt Service (Subordinated)</u>
2018.....	\$17,650,000	\$ —
2019.....	17,650,000	—
2020.....	17,000,000	11,375,275
2021.....	17,873,000	11,291,000
2022.....	16,925,000	12,710,000

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, 2022” and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2022”.

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, 2022, the aggregate amounts of GARVEE Notes and Refunding Notes outstanding are \$1,437,520,000 and \$957,385,000, 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, 2022, the aggregate amounts of municipal and school district Qualified Bonds outstanding are \$1,024,945,426 and \$25,595,000, respectively.

Tobacco Settlement Asset-Backed Bonds

The State has transferred to the Corporation, 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, 2022, the Corporation had \$2,696,520,000 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. 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.

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). 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.

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. 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.

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.

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.

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).

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).

The State entered into a four-year contract for Fiscal Years 2020-2023 with the New Jersey Superior Officers Law Enforcement Association (“NJSOLEA”), which was resolved through binding arbitration. The binding interest arbitration decision of the hearing officer was issued on April 17, 2022 and affirmed by the Public Employment Relations Commission on June 30, 2022. The award provided for across the board salary increase for the successor agreement as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 5% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 3% effective the first full pay period after December 1, 2021), and 3% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022).

The State entered into a four-year contract for Fiscal Years 2020-2023 with the New Jersey Law Enforcement Commanding Officers Association (“NJLECOA”). 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). In addition to the across-the-board increases, the Chief, Bureau Law Enforcement, DEP, Assistant Chief, JJC, and Deputy Chief Investigator, DOC will receive salary adjustments.

The State entered into a four-year contract for Fiscal Years 2020-2023 with the Policemen’s Benevolent Association, Local 383 (“PBA 383”) formerly, FOP Lodge 91. The contract provides for the following across the board salary increases: 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), an additional 15% in Fiscal Year 2022 (effective the first full pay period after January 1, 2022), and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022).

The State has entered into a four-year contract for Fiscal Years 2022-2025 (July 1, 2021 – June 30, 2025) with the State Troopers Non-Commissioned Officers Association (“STNCOA-Sergeants”), which was resolved through binding arbitration. The arbitration award was issued on September 16, 2022 and provides for across the board salary increases as follows: 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), 2% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023) and 2% in Fiscal Year 2025 (effective the first full pay period after July 1, 2024). Maintenance allowance increases in each year of the contract effective the first full pay period after the following dates: July 1, 2021 \$16,565.67, January 1, 2022 \$17,315.67, April 1, 2022, \$17,661.98, January 1, 2023 \$18, 411.98, July1, 2023 2.75% increase and July 1, 2024 2.75% increase.

The State has entered into a four-year contract for Fiscal Years 2022-2025 (July 1, 2021 – June 30, 2025) with the State Troopers Superior Officers Association (“STSOA-Lieutenants and Captains”), which was resolved through binding arbitration. The arbitrations award was issued on September 16, 2022 and provides for across the board salary increases as follows: 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), 2% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023) and 2% in Fiscal Year 2025 (effective the first full pay period after July 1, 2024). Effective the first full pay period after July 1, 2024, a 6% differential will be maintained between the ranks of State Police Captain and Lieutenant. The 6% differential is predicated upon the Lieutenants highest base salary. Maintenance allowance increases in each year of the contract effective the first full pay period after the following dates: July 1, 2021 \$16,565.67, January 1, 2022 \$17,315.67, April 1, 2022, \$17,661.98, January 1, 2023 \$18, 411.98, July1, 2023 2.75% increase and July 1, 2024 2.75% increase.

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.

In March 2022, the State entered into a four-year contract for Fiscal Years 2020-2023 with the Division of Criminal Justice Non-Commissioned Officer Assoc., Sergeant, State Investigator Unit, Dept. of Law & Public Safety, PBA 383 A. The contract provides for the following across the board salary increases: 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); an additional 15% in Fiscal Year 2022 (effective the first full pay period after January 1, 2022); and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022).

In March 2022, the State entered into a four-year contract for Fiscal Years 2020-2023 with the Division of Criminal Justice Superior Officers Assoc., Lieutenant, State Investigator Unit, Dept. of Law & Public Safety, PBA 383 B. The contract provides for the following across the board salary increases: 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); an additional 15% in Fiscal Year 2022 (effective the first full pay period after January 1, 2022); and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022).

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 by the State Legislature and actions by the Governor.

Overview of the 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 has resulted in fully funding the actuarially recommended contribution since Fiscal Year 2022;
- 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 before then had been, 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.

While the State’s contributions to the Pension Plans significantly increased from approximately \$893 million for Fiscal Year 2015 (or approximately 23% of the actuarially recommended contribution) to approximately \$6.891 billion for Fiscal Year 2022 (which includes the Lottery Net Proceeds), the State expects that its contributions in future Fiscal Years (including Fiscal Year 2023) will include minor increases but the overall level of State contributions are

expected to remain relatively stable. The State has experienced unusual volatility in its investment rate of return for Fiscal Years 2021 (approximately 28.63%) and Fiscal Year 2022 (an estimated negative seven percent (-7%)), and this and any future volatility may impact the financial condition of the Pension Plans that could ultimately impact the level of State contributions as well. The State's Fiscal Year 2023 Appropriations Act has appropriated a contribution of \$5.719 billion which, when taken together with projected Lottery Net Proceeds of \$1.103 billion, represents 103.6% of the actuarially recommended contribution to the Pension Plans.

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 reflected in actuarial valuations as of June 30, 2021 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.

The following table is based on the actuarial valuations for the Pension Plans as of June 30, 2021.

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**AGGREGATE PROJECTED ANNUAL CASH FLOWS AND
NET VALUE OF ASSETS OF STATE'S PORTION OF PENSION PLANS**
Fiscal Year Ending June 30, 2023 through June 30, 2052
(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
2023	\$35,382	\$1,655	\$5,425	\$1,103	\$2,448	\$7,597	\$38,416
2024	38,416	1,683	5,517	1,116	2,634	7,786	41,580
2025	41,580	1,711	5,597	1,126	2,828	7,968	44,875
2026	44,875	1,740	5,672	1,135	3,031	8,149	48,304
2027	48,304	1,777	5,740	1,147	3,243	8,340	51,872
2028	51,872	1,821	5,788	1,157	3,463	8,532	55,569
2029	55,569	1,866	5,828	1,168	3,692	8,722	59,400
2030	59,400	1,912	5,863	1,190	3,930	8,919	63,376
2031	63,376	1,957	5,883	1,202	4,176	9,127	67,467
2032	67,467	2,004	5,876	1,214	4,429	9,334	71,655
2033	71,655	2,053	5,868	1,226	4,688	9,542	75,949
2034	75,949	2,104	5,858	1,238	4,954	9,751	80,353
2035	80,353	2,159	5,844	1,251	5,227	9,959	84,874
2036	84,874	2,218	5,831	1,263	5,508	10,155	89,540
2037	89,540	2,278	5,821	1,276	5,798	10,338	94,374
2038	94,374	2,339	5,814	1,289	6,099	10,516	99,399
2039	99,399	2,401	5,808	1,302	6,414	10,682	104,642
2040	104,642	2,467	5,806	1,315	6,743	10,831	110,142
2041	110,142	2,536	5,808	1,328	7,091	10,962	115,943
2042	115,973	2,608	5,818	1,341	7,459	11,080	122,090
2043	122,090	2,682	5,832	1,355	7,851	11,204	128,605
2044	128,605	2,759	5,848	1,368	8,267	11,334	135,513
2045	135,513	2,840	5,865	1,382	8,709	11,468	142,841
2046	142,841	2,925	5,885	1,396	9,180	11,603	150,624
2047	150,624	3,005	5,909	1,410	9,681	11,745	158,883
2048	158,883	3,086	6,805	0	10,187	11,910	167,051
2049	167,051	3,174	6,831	0	10,711	12,089	175,678
2050	175,678	3,267	6,858	0	11,265	12,271	184,797
2051	184,797	3,364	2,560	0	11,741	12,447	190,015
2052	190,015	3,464	1,848	0	12,025	12,630	194,733

- (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 2023 reflects an estimated negative seven percent (-7%) rate of return for the Pension Plans in Fiscal Year 2022. It also includes preliminary unaudited Lottery Net Proceeds of \$1.094 billion for Fiscal Year 2022. 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 2023, the contribution reflects the State's contribution set forth in the State's Fiscal Year 2023 Appropriations Act. 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.

(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.
- (5) Lottery Net Proceeds represent projected net proceeds from the Lottery Enterprise. See “—Lottery Enterprise Contribution Act” below. Through 2029, these projections are consistent with the Division’s management services agreement for sales and marketing with Northstar NJ. Pursuant to LECA, the State is required to revalue the Lottery Enterprise every five years. The revaluation was completed as of December 31, 2021. See “Lottery Enterprise Contribution Act—Lottery Enterprise – Valuation” below.
- (6) The projection of investment earnings is based on an assumed rate of return of 7.0% for assets of the State’s portion of the Pension Plans. For valuation of the liabilities, the State Treasurer 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 Treasurer lowered 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, 2023, together with a comparison of those contributions to the actuarially recommended contributions. Since Fiscal Year 2018, the State calculates the percentage of its contribution relative to the actuarial recommended contribution for a Fiscal Year by adding the annual contribution set forth in the Appropriations Act together with the projected Lottery Net Proceeds for that Fiscal Year, and then dividing that sum by the actuarially recommended contribution for the Pension Plans for that Fiscal Year. Under LECA, the State appropriates a contribution to the Pension Plans for each Fiscal Year equal to the actuarially recommended contribution less a Special Asset Adjustment calculated by LECA. Starting with Fiscal Year 2023, the amount of the Special Asset Adjustment is intended to be less than the projected Lottery Net Proceeds for each Fiscal Year, which the State expects will cause contributions for future Fiscal Years to exceed 100% of the actuarially recommended contribution.

AGGREGATE STATE CONTRIBUTIONS TO PENSION PLANS **For the Fiscal Years Ending June 30, 1997 through June 30, 2023⁽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.....	6,109.7	4,787.4	78 ⁽⁸⁾
2022.....	6,387.8	6,891.0	108 ⁽⁹⁾
2023.....	6,587.7	6,822.3	104 ⁽¹⁰⁾

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, 2021. Information regarding the actual contributions of the State for Fiscal Years 1997 through 2023 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 2023 was determined in the actuarial valuation as of July 1, 2021.
- (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.
- (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 lower sales from multistate jackpot games and, to a much lesser extent, the 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. After taking into account the Lottery Net Proceeds contribution, the overall percentage of the actuarially recommended contribution was 107.9%.
- (10) For Fiscal Year 2023, the State has appropriated \$5.719 billion for pension contributions. After taking into account projected Lottery Net Proceeds of \$1.103 billion, the State expects that the overall percentage of the actuarially recommended contribution will be 103.6%.

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 the Pension Plans administered by the State. Listed in order of active membership based on the most recent actuarial valuation reports dated July 1, 2021, the Pension Plans and their active and retired membership are as follows:

Plan	Membership at June 30, 2021	
	Active	Retired
Public Employees' Retirement System ("PERS").....	239,902	189,154
Teachers' Pension and Annuity Fund ("TPAF").....	156,047	110,031
Police and Firemen's Retirement System ("PFRS")	42,432	46,638
State Police Retirement System ("SPRS")	3,018	3,544
Judicial Retirement System ("JRS")	404	664
Consolidated Police and Firemen's Pension Fund ("CP&FPF").....	0	33
Prison Officers' Pension Fund ("POPF").....	0	47
Total	441,803	350,111

From June 30, 2020 to June 30, 2021, the total number of active members of all of the State-administered plans decreased by 7,129, or 1.6%, and the total number of retired members increased by 6,956, or 2.0%.

Local Government Pension Plans

The State is not the only employer sponsoring PERS and PFRS. Local governments within the State also participate as employers. In both PERS and PFRS, contributions from State and local governments are invested

together and generate one investment rate of return. In calculating actuarial liabilities, both PERS and PFRS break out the liabilities between active and retired members as well as between State and local government members. As of June 30, 2021, the State was responsible for the employer contributions for 74,991 active and 61,721 retired PERS members and 6,916 active and 7,083 retired PFRS members.

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 again 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 and 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. In addition, benefit enhancements can only be made if an independent actuary certifies that such 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, 2021, the State's portion of the market value of assets in the Pension Plans is \$44.4 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. The term of the contribution of the Lottery Enterprise will expire at the start of Fiscal Year 2048. At that time, the Lottery Enterprise contributions will revert back to the State.

Lottery Enterprise – Valuation

To determine the value of the Lottery Enterprise contribution, Acacia Financial Group was hired as the independent valuation service provider. In calculating the fair value, Acacia applied Actuarial Standard of Practice (“ASOP-44”) of the Actuarial Standards Board. ASOP-44 provides that for assets like the Lottery Enterprise that have no comparable valuations and are difficult to value, the present value of reasonably expected future cash flows may operate as the market value. The independent valuation service provider calculated the fair present value 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.

The first five-year revaluation of the Lottery Enterprise was completed on December 31, 2021, by the Acacia Financial Group. This revaluation determined the fair market value of the Lottery Enterprise to be \$12.980 billion as of the December 31, 2021 valuation date.

Using this valuation methodology, the contribution of the Lottery Enterprise is expected to generate an estimated \$37 billion for the Pension Plans over the 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 Plans at the time of valuation, to arrive 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 developed in 2017 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.

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 was fixed for the first five Fiscal Years to minimize the impact of the Lottery Contribution on the State's General Fund budget during that period.

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.

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

Acacia Financial Group valued the Lottery Enterprise at \$12.980 billion as of December 31, 2021. As of July 1, 2021, the Lottery Enterprise was valued at \$12.577 billion. If the value of the Lottery Enterprise was excluded, the funded ratio of the Pension Plans as of June 30, 2021 would have been 39.1% instead of 50.7%. 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 appropriate State contributions to the Pension Plans by systematically calculating an actuarially recommended contribution (discussed below). During many of the years when the State did not make the full actuarially recommended contribution, it still contributed a portion of the actuarially recommended contribution. The State's current pension funding policy provides that the combined contribution appropriated from the State budget and LECA net lottery proceeds fully fund the actuarially recommended contribution. 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.

Pension Plan actuarial valuations are completed approximately six to eight months after the end of a fiscal year. Consequently, actuarial valuations and recommended contributions for the various Pension Plans do not apply to the fiscal year immediately following the actuarial valuations. Rather, they apply to the second fiscal year following the valuation. For example, the actuarially recommended contributions and valuations as of July 1, 2021 are applicable to the Fiscal Year ended June 30, 2023.

Actuaries and Auditor

Cheiron, Inc. serves as consulting actuary for six of the Pension Plans. Segal is the consulting actuary for PFRS. The consulting actuaries prepare 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, with PFRS contracting separately for their services.

Content and Timing of Actuarial Valuations

The purpose of an actuarial valuation is to calculate an actuarially recommended contribution by an independent actuary based on 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 key calculations the actuaries make in each actuarial valuation is a calculation of the actuarial accrued liability and the Actuarial Value of Assets (“AVA”). 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 their lifetime. The AVA 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”) applicable to the 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 the 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 a Pension Plan in terms of the value on a particular date, in reality they are 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 assumptions, including, but not limited to, the expected rate of return on assets, inflation rates, future pay increases, age of retirement of members, assumed rates of disability, and retiree and beneficiary life expectancies. The Pension Plan boards establish most of these assumptions. However, 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 experience studies be performed every three years to examine the demographic and economic assumptions used in actuarial valuations to help ensure those assumptions closely reflect the Pension Plan’s actual experience. If an experience study results in a change to any assumption, it can significantly impact the Pension Plan’s UAAL in subsequent actuarial valuations. For example, in an experience study for TPAF covering the period from July 1, 2015 to June 30, 2018, the salary growth assumption, mortality and demographic assumptions changed. These assumption changes were reflected in the July 1, 2019 actuarial valuation and caused the TPAF UAAL to increase 3% by \$1.968 billion. As a result, the TPAF actuarially recommended contribution increased 7.8% or \$253.5 million. Changes reflected in the PERS actuarial assumption that had been based on the July 1, 2014 through June 30, 2018 experience study increased the PERS UAAL 2.3% by \$584 million. The related actuarially recommended contribution then increased 7.0% or \$70.6 million. The actual rate of return of Pension Plan assets is determined by the performance of the investment portfolio. The value of the investment portfolio can experience dramatic changes from one Fiscal Year to the next. This in turn, may cause substantial increases or decreases to the applicable UAAL. The actual investment rates of return for Fiscal Year 2021, Fiscal Year 2020 and Fiscal Year 2019 were 28.6%, 1.21% and 6.27% respectively. On July 1, 2019, the State Treasurer lowered the assumed rate of return for valuation purposes from 7.5% to 7.3%. The 7.3% assumed rate of return was used by the actuary in the most recent June 30, 2020 valuations. On June 30, 2021, the Treasurer ordered the assumed rate to be further lowered 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.

Two different methods are used to measure pension assets: market value and the actuarial value of assets (“AVA”). The market value represents the value of assets if they were liquidated on the valuation date. However, State law requires an alternative measurement method (“AVA method”) to be used. The AVA method smooths investment gains and losses to reduce volatility by recognizing only 20% of the difference between market value of assets and the expected value of assets each year. The AVA method may produce an actuarial value of assets that falls outside of what is generally considered to be a reasonable range of the market value. 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 the assets. This smoothing not only affects asset valuations, it also effects the UAAL, funded ratios and contributions, all numbers computed using the AVA. The Fiscal Year 2021 actual investment rate of return was 28.63% compared to the Treasurer’s 7.3% assumed rate of return. Per statutory requirements, using the AVA method, 20% of the 28.63% actual investment rate of return will be recognized gradually over five years.

The main purpose of the actuarial valuation is to develop a schedule for restoring the Pension Plans to a Funded Ratio of 100%. The amortization method requires the actuary to calculate that portion of the UAAL that the State needs to contribute each year in order to accomplish that goal. Actuaries use different methods to develop such a schedule. Excluding the CP&FPF and the POPF, the Pension Plans use the level-dollar amortization method. Previously, the State used the level percent of pay UAAL calculation method. Under the level-dollar amortization method, the actuary assumes the State will pay the same dollar amount to amortize the UAAL in each year of the amortization period. Pursuant to statute, 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 UAAL increases, whereas, in a closed amortization period, the period is reduced with each actuarial valuation.

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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, 2012 through the Fiscal Year ended June 30, 2023. The following table is based on the actuarial valuations as of June 30, 2021. See “Actuarial Valuations as of June 30, 2021” above.

HISTORICAL STATUTORY FUNDING STATUS AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS⁽¹⁾ Actuarial Valuations as of July 1, 2010 through July 1, 2021 (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
2021	55,105.5	108,679.7	53,574.2	50.7	56,987.0

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2010 through July 1, 2021 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 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 assumptions 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, 2021 through the Fiscal Year ended June 30, 2050. 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.

The following table is based on the actuarial valuations as of June 30, 2021. See “Actuarial Valuations as of June 30, 2021” above.

PROSPECTIVE STATUTORY FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS⁽¹⁾
For the Fiscal Year Ending June 30, 2021 through June 30, 2050
(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⁾
2021	\$55,105.1	\$108,679.9	\$53,574.3	50.7
2022	57,165.7	110,855.9	53,690.3	51.6
2023	59,432.7	113,022.9	53,590.2	52.6
2024	61,853.8	115,191.8	53,338.0	53.7
2025	64,426.6	117,370.7	52,944.1	54.9
2026	67,146.0	119,562.3	52,416.3	56.2
2027	69,989.9	121,753.8	51,764.0	57.5
2028	72,957.6	123,943.8	50,986.1	58.9
2029	76,049.0	126,135.3	50,086.3	60.3
2030	79,246.7	128,320.4	49,073.7	61.8
2031	82,515.4	130,484.1	47,968.7	63.2
2032	85,855.5	132,623.7	46,768.1	64.7
2033	89,267.6	134,737.5	45,470.0	66.3
2034	92,747.3	136,820.8	44,073.6	67.8
2035	96,301.7	138,872.6	42,570.9	69.3
2036	99,951.3	140,909.3	40,957.9	70.9
2037	103,716.5	142,946.2	39,229.7	72.6
2038	107,613.1	144,993.5	37,380.4	74.2
2039	111,667.6	147,070.6	35,403.0	75.9
2040	115,912.6	149,202.7	33,290.1	77.7
2041	120,389.4	151,423.3	31,033.8	79.5
2042	125,131.9	153,758.2	28,626.2	81.4
2043	130,155.3	156,213.1	26,057.8	83.3
2044	135,474.1	158,791.8	23,317.8	85.3
2045	141,107.9	161,503.1	20,395.2	87.4
2046	147,082.4	164,360.5	17,278.1	89.5
2047	154,206.5	167,371.2	13,164.6	92.1
2048	161,753.3	170,521.4	8,768.1	94.9
2049	169,741.2	173,809.3	4,068.1	97.7
2050	174,053.8	177,247.0	3,193.2	98.2

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 an estimated rate of return of -7% for Fiscal Year 2022 and 7% for 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 Lottery Net Proceeds of \$1.084 billion. Preliminary unaudited Fiscal Year 2022 Net Lottery Proceeds are estimated to be \$1.094 billion. Future Fiscal Years are adjusted for the receipt of projected Lottery Net Proceeds. Under LECA, the Lottery Enterprise is re-valued every five years. The first revaluation was completed on December 31, 2021. See “—Lottery Enterprise Contribution Act—Lottery Enterprise—Valuation” 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. They do not require changes to the method a plan uses to compute actual employer contributions to a plan. The State's actual contributions to the Pension Plans continue to be calculated under the requirements of the State statutes.

GASB Statements No. 67 ("GASB 67") and 68 ("GASB 68") require governmental plans use specific methods to calculate the required disclosures that differ from the methods used to calculate the UAAL and funded ratios. Included among those differences are the calculation of each individual member's pension accruals and differences in the discount rate used to calculate the present value of future benefit payments. GASB 67 and 68 additionally require a "depletion date" calculation based on the projected time frame that assets will be available to cover projected benefit payments over a 99-year projection period under certain assumptions.

To project future employer contributions, GASB 67 requires that assumed contributions will be based on a consistent contribution pattern supported by state statute or other formally adopted policy. For many years, the State did not contribute the full actuarial determined contribution (ADC). However, in Fiscal Year 2022, the state contributed more than 100% (107.91%) of the actuarially determined contribution. In the most recent GASB 67 report, as of June 30, 2021, the asset depletion projection assumed the State will make future contributions based on 100% of the full statutory contribution amount. 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.

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, 2021 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, 2021 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, 2021
(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
PERS ⁽²⁾	\$35,707.8	\$69,310.1	\$33,602.3	51.52%
TPAF	26,533.1	74,699.1	48,166.0	35.52
PFRS ⁽³⁾	33,543.3	46,972.7	13,429.4	71.41
CP&FPF	2.2	2.9	0.7	75.86
SPRS.....	2,135.9	4,059.8	1,923.9	52.61
JRS	182.6	879.2	696.6	20.77
POPF	5.1	3.5	(1.6)	145.71
Total	<u>\$98,110.0</u>	<u>\$195,927.3</u>	<u>\$97,817.3</u>	<u>50.07%</u>

⁽¹⁾ Audited. Based on Market Value as of June 30, 2021. Does not take into consideration the contribution of the Lottery Enterprise.
⁽²⁾ Of the total Net Pension Liability of \$33,602.3 million for PERS, \$21,629.5 million is the estimated State portion and \$11,972.8 million is the estimated local portion.
⁽³⁾ Of the total Net Pension Liability of \$13,429.4 million for PFRS, \$4,064.6 million is the estimated State portion and \$9,364.8 million is the estimated local portion.

Informational copies of the July 1, 2021 valuation report, which are the most recent audited valuations, are posted on the Division of Pensions and Benefits' website at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>. The July 1, 2022 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 PERS and 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, 2022, each participating employer must recognize their share of the total net pension liability of \$97,817.3 million determined as of measurement date of June 30, 2021. The State's share of the collective net pension liability as of June 30, 2020 has been determined to be \$75,047.6 million. This amount will be recorded as a liability on the State's financial statements for the fiscal year ending June 30, 2022.

The following chart summarizes the allocation of the net pension liability of \$97,817.3 million as of July 1, 2021 as determined under GASB 68:

GASB STATEMENT NO. 68 DISCLOSURE
Allocation of Fiscal Year 2022 Net Pension Liability (NPL) per GASB 68⁽¹⁾
(In Millions)

Pension Plan	State	State Non-Employer⁽²⁾	Total State	State Colleges & Universities	Locals	Plan Net Pension Liability
PERS	\$18,198.9	\$126.3	\$18,325.2	\$3,430.5	\$11,846.5	\$33,602.2
TPAF	90.8	48,075.2	48,166.0	—	—	48,166.0
PFRS	3,881.1	2,055.7	5,936.8	183.4	7,309.2	13,429.4
CP&FPF	0.7	—	0.7	—	—	0.7
SPRS	1,923.9	—	1,923.9	—	—	1,923.9
JRS	696.6	—	696.6	—	—	696.6
POPF	(1.6)	—	(1.6)	—	—	(1.6)
Total	\$24,790.4	\$50,257.2	\$75,047.6	\$3,613.9	\$19,155.7	\$97,817.3

⁽¹⁾ Unaudited.

⁽²⁾ 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 \$3,613.9 billion as of June 30, 2021, 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 pension benefits, the State provides post-retirement medical benefits ("PRM") 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 the Pension Plans must retire with 25 or more years of pension service credit or a disability pension. PRM 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 2021, the State paid PRM benefits for 158,913 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 pay in future years for these costs. The chart below shows a period of stability for PRM costs during Fiscal Years 2017, 2018 and 2019. In 2020, the PRM cost decrease can be attributed to the pandemic-related decrease in treatments and healthcare utilization during the pandemic. The decrease in Fiscal Year 2020 is an anomaly. In Fiscal Year 2021, PRM costs rose at a 13.5% rate compared to Fiscal Year 2020 as retired employees returned to utilizing their doctors and sought treatments that had been postponed due to the pandemic. The State's Fiscal Year 2022 expense for PRM benefits increased by 6%, or \$107 million, to \$1.897 billion. PRM costs are projected to further increase. In State Fiscal Year 2023, the State has appropriated \$2.058 billion, an 8.5% increase over Fiscal Year 2022, for PRM costs. The trend of increasing PRM costs could continue in future years as inflation exerts pressure on the cost of health benefits.

AGGREGATE STATE CONTRIBUTIONS FOR OPEB
For the Fiscal Years Ending June 30, 2016 through June 30, 2023

State Fiscal Year Ending June 30,	OPEB Expenditure (in Millions)	Dollar Change Over Prior Year (in Millions)	Percentage Change Over Prior Year
2016.....	\$1,826.0	n/a	n/a
2017.....	1,865.7	39.7	2.2%
2018.....	1,908.0	42.3	2.3%
2019.....	1,907.9	(0.1)	0.0%
2020 ⁽¹⁾	1,577.8	(330.1)	(17.3)%
2021 ⁽²⁾	1,790.1	212.3	13.5%
2022.....	1,897.0	106.9	6.0%
2023 ⁽³⁾	2,058.2	161.2	8.5%

⁽¹⁾ The State experienced a decrease in OPEB costs as healthcare utilization and treatments decreased during the pandemic.

⁽²⁾ As the effects of the pandemic abated, health care utilization rebounded as retired employees utilized their doctors and received other medical treatments and procedures that had been postponed during the pandemic.

⁽³⁾ Projected costs. The State Fiscal Year 2023 Appropriations Act appropriated \$2.058 billion for PRM costs.

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 which 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 increased from \$65.4 billion to \$101.6 billion between the June 30, 2020 and June 30, 2021 GASB 75 actuarial valuations prepared by the State’s health benefits actuarial consultant, Aon. The increase in the State’s OPEB liabilities is mainly attributable to (1) a reduction in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, which is used to discount OPEB liabilities; and (2) claim and premium experience, primarily resulting from higher than expected Medicare Advantage claims as of the measurement period of the valuation, leading to an increase in projected Medicare Advantage premiums beginning with Plan Year 2023.

The results of the June 30, 2021 GASB actuarial valuations are summarized in the table below:

GASB Statement No. 75 Accounting Disclosures
Based on Measurement Date of June 30, 2020
For the Fiscal Year Ending June 30, 2021
(In Millions)

	<u>State Retired Fund</u>	<u>Education Retired Fund</u>	<u>Local Govt Retired Fund</u>	<u>Total</u>
OPEB Liability				
(a) Retirees Receiving Benefits	\$12,055.6	\$22,955.9	\$7,298.2	\$42,309.7
(b) Active Participants	16,241.1	44,854.1	10,813.3	71,908.5
(c) Total	28,296.7	67,810.0	18,111.5	114,218.2
Plan Fiduciary Net Position			164.9	164.9
Net OPEB Liability	\$28,296.7	\$67,810.0	\$17,946.6	\$114,053.3

Estimated Allocation of GASB 75 Liability

<u>OPEB Fund</u>	<u>State</u>	<u>State Non- Employer*</u>	<u>Total State</u>	<u>Locals</u>	<u>Net OPEB Liability</u>
State	\$20,299.7	\$7,996.9	\$28,296.6	\$ -	\$28,296.7
Education		67,810.0	67,810.0		67,810.0
Local Govt		5,462.3	5,462.3	12,484.3	17,946.6
Total	\$20,299.7	\$81,269.2	\$101,568.9	\$12,484.3	\$114,053.3

* 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 2.21%, and is based on a 20-year tax-exempt municipal bond index. When projecting the growth of expected claims over the lifetimes of the qualifying retirees, (1) Aon assumed that pre-age 65 PPO/HMO medical benefits would increase at a rate of 5.6% in Fiscal Year 2020 and decrease to a 4.5% long-term trend after seven (7) years. For self-insured post-65 PPO/HMO medical benefits, the trend rate assumption increases to 22.61% and 18.53% in Fiscal Years 2023 and 2024, respectively. The Post-65 PPO/HMO Medical trend rate stabilizes at 4.5% for Fiscal Year 2025 and all future years; and (2) Aon assumed that prescription drug benefits would increase at a rate of 7.0% for current and future retirees in Fiscal Year 2020 and taper off to a 4.5% long-term trend rate after seven (7) years. Copies of audited valuation reports are 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.

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 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's report is due by November 1, 2022. The State is vigorously defending this matter.

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.

Eric R. Perkins, 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. The 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 and is designing a replacement treatment system for the site.

In June 2016, the Debtors filed separate bankruptcy petitions under Chapter 11 of the Bankruptcy Code and a trustee was appointed (the “Trustee”). In July 2017 the matters were consolidated and converted to Chapter 7 bankruptcy. In December 2017, the 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 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 December 31, 2022. Trial is scheduled for March 30, 2023. The State is vigorously defending this matter.

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-to-wholesaler exemption. The Division imposed an 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-to-wholesaler exception. On January 27, 2022, Plaintiff filed an appeal of the Tax Court's March 2020 order and December 2021 decision. Plaintiff filed its brief on May 19, 2022. The Division filed its brief on September 21, 2022. On August 22, 2022, the Tax Court granted the New Jersey Business and Industry Association's motion to appear as amicus curiae in support of Plaintiff. The State is vigorously defending this matter.

Gomez v. DCPD 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 DCPD 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, DCPD 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., et al. v. New Jersey Department of Education, et al.

On May 23, 2018, Plaintiff J.A., individually and on behalf of her minor child J.A., filed a complaint in the U.S. District Court for the District of New Jersey against the New Jersey Department of Education, New Jersey Office of Administrative Law, Commissioner of Education, and Administrative Law Judge ("ALJ") Jeffrey R. Wilson (collectively "State Defendants"), as well as the Monroe Township Board of Education, which has since been dismissed from the case. An amended complaint was filed adding additional plaintiffs and "DOEs 1-250 similarly situated ALJs" as defendants.

Plaintiffs purport to bring class action claims against State Defendants under the Individuals with Disabilities Education Act ("IDEA") P.L. 101-476, "Federal Preemption" and 42 U.S.C. § 1983, and alleging two separate systemic violations of the IDEA. Plaintiffs also sought to bring a class action declaratory judgment claim against State Defendants and to appeal three separate interlocutory orders of the ALJ. 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 and Plaintiffs opposed that motion. On June 17, 2020, the U.S. District Court ordered the parties to show cause as to why this matter should not be consolidated with the *C.P., et al. v. NJDOE, et al.*, 1:19-cv-12807 (NLH/MJS) ("*C.P.*"). (*C.P.* is a related matter with similar claims, but only seeks injunctive and declaratory relief). The court has not issued a formal order or decision on consolidation with the *C.P.* matter. On March 25, 2021, the Plaintiffs sought to consolidate this matter ("*J.A. I*") with three other matters, *J.A. v. MTBOE, et al.*, 1-20-cv-09498 (NLH/MJS) ("*J.A. II*"), *Joanna A., et al. v. MTBOE, et al.*, 1:21-cv-06283 (NLH/MJS) ("*J.A. III*"), and *M.D., et al. v. Vineland City Bd. of Ed., et al.*, 1:19-cv-12154 (NLH/MJS) ("*M.D.*"). The districts and the State Defendants opposed consolidation. On March 22, 2022, the U.S. District Court denied consolidation of this matter. The State is vigorously defending this matter.

J.A., et al. v. Monroe Township Board of Education, et al. and J.A. v. New Jersey Department of Education et al.

On July 28, 2020, Plaintiff J.A., individually and on behalf of her minor child J.A., filed a complaint in the U.S. District Court for the District of New Jersey against the New Jersey Department of Education (“NJDOE”), New Jersey Office of Administrative Law (“NJOAL”), the Interim Commissioner of Education, two named Administrative Law Judges (“ALJ”) and NJDOEs 1-250 Similarly Situated ALJs (collectively, “State Defendants”), as well as the Monroe Township Board of Education (“MTBOE”). 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 against the NJDOE, NJOAL, Interim Commissioner of Education, four named ALJs and NJDOEs 1-250 Similarly Situated ALJs (collectively, the “State Defendants”), as well as MTBOE. Both complaints seek to appeal the final decision and order of an ALJ in the underlying special education due process dispute. They also allege 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. Plaintiffs seek declaratory and injunctive relief, as well as monetary relief in the form of damages, punitive damages, compensatory education, and attorneys’ fees and costs. The State Defendants filed motions to dismiss in both matters.

On March 25, 2021, the Plaintiffs filed a motion to consolidate the three J.A. matters and the M.D. matter. The districts and the State Defendants filed oppositions. On March 22, 2022, the court granted consolidation of the J.A. II and the J.A. III matters and denied consolidation with J.A. I or M.D. On March 31, 2022, the court granted in part and denied in part the State Defendants motion to dismiss. Discovery is currently ongoing. 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”), as applied to JCBOE, and the State Defendants failure to fully fund JCBOE’s long range facilities plan (“LRFP”), 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 (“T&E”).

The Plaintiffs seek, among other things, a preliminary and permanent injunction enjoining the State Defendants from reducing funding to JCBOE and an order requiring the State Defendants to fully fund JCBOE’s LRFP. 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 Amendments will jeopardize JCBOE’s ability to provide T&E. The State Defendants filed a motion to dismiss the first amended complaint, which was denied by the trial court on January 17, 2020. Discovery is complete. 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. Lorillard filed its supplemental brief with the Tax Court addressing the constitutional issues on February 24, 2022. The Division filed its brief on May 6, 2022. Oral argument was held on September 13, 2022. 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”). Although the corrected complaint appeared to present a challenge to 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 has since disavowed that position. Rather, Plaintiff challenges the Administrator’s implementation of the Unclaimed Property Act, asserting that the Administrator’s actions under the Act violate 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, which was granted in part and denied in part, with leave to conduct limited expedited discovery and file an amended complaint. Discovery is ongoing. Plaintiff filed a first amended complaint, which purported to add a new class plaintiff, Christine Kydd. On July 8, 2022, the State filed a motion to strike the first amended complaint as exceeding the court’s limited grant of authority to amend. Plaintiff has confirmed, in a court filing, that it withdrew any and all constitutional questions and challenges to the UPA’s statutory scheme. Plaintiff’s sole remaining argument is that the UPA failed to adhere to the statutory scheme created by the Legislature. The State’s motion has been fully briefed. The State is vigorously defending this matter.

Medicaid, Tort, Contract, Workers’ Compensation and Other Claims

The Office of the Inspector General (“OIG”) of the U.S. Department of Health & Human Services (“HHS”) 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. Nineteen 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 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 HHS. 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, State's Department of Health ("DOH") and DHS have 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 II

COPY OF THE INDENTURE

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TRUST INDENTURE

between

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

and

THE BANK OF NEW YORK MELLON,

as Trustee

Dated as of January __, 2023

RELATING TO

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
STATE LEASE REVENUE BONDS
(OFFSHORE WIND PORT PROJECT)

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Exhibit A - Form of Bond and Form of Trustee's Certificate of Authentication

Exhibit B - Form of Requisition from the Project Fund

THIS TRUST INDENTURE is dated as of January __, 2023 (the "Trust Indenture") and is by and between the New Jersey Economic Development Authority (the "Authority"), a public body corporate and politic constituting an instrumentality of the State of New Jersey (the "State"), created and existing under and by virtue of the New Jersey Economic Development Authority Act, L. 1974, c. 80, as heretofore or hereafter from time to time amended and supplemented, and THE BANK OF NEW YORK MELLON, as Trustee ("Trustee"), with reference to the following background:

BACKGROUND

Capitalized terms used and not otherwise defined in this Background shall have the meanings given such terms in Section 101 hereof.

A. The Authority is a public body corporate and politic and an instrumentality of the State exercising public and essential governmental functions, organized, subsisting under and having the powers conferred by the Act, including, *inter alia*, the power to issue its obligations and the entering into contracts, including leases and development agreements, for: (1)(a) the acquisition, construction, reconstruction, repair, alteration, improvement and extension of any building, structure, facility, including water transmission facilities or other improvement, whether or not in existence or under construction, (b) purchase and installation of equipment and machinery, and (c) acquisition and improvement of real estate and the extension or provision of utilities, access roads and other appurtenant facilities; all of which are to be used or occupied by any person in any enterprise promoting employment, either for the manufacturing, processing or assembly of materials or products, or for research or office purposes, including, but not limited to, medical and other professional facilities, or for industrial, recreational, hotel or motel facilities, public utility and warehousing, or for commercial and service purposes, including, but not limited to, retail outlets, retail shopping centers, restaurant and retail food outlets, and any and all other employment promoting enterprises, including, but not limited to, motion picture and television studios and facilities and commercial fishing facilities, commercial facilities for recreational fishermen, fishing vessels, aquaculture facilities and marketing facilities for fish and fish products, and (d) acquisition of an equity interest in, including capital stock of, any corporation; or any combination of the above, which the authority determines will: (i) tend to maintain or provide gainful employment opportunities within and for the people of the State, or (ii) aid, assist and encourage the economic development or redevelopment of any political subdivision of the State, or (iii) maintain or increase the tax base of the State or of any political subdivision of the State, or (iv) maintain or diversify and expand employment promoting enterprises within the State; (2) the cost of acquisition, construction, reconstruction, repair, alteration, improvement

and extension of an energy saving improvement or pollution control project which the authority determines will tend to reduce the consumption in a building devoted to industrial or commercial purposes, or in an office building, of nonrenewable sources of energy or to reduce, abate or prevent environmental pollution within the State; and (3) the establishment, acquisition, construction, rehabilitation, improvement, and ownership of port facilities as defined in section 3 of P.L.1997, c.150 (C.34:1B-146).

B. Executive Order No. 8 (Murphy 2018) committed the State to immediately pursue an initial 1,100 megawatts of offshore wind power and a total of 3,500 megawatts of offshore wind power by 2030, Executive Order No. 92 (Murphy 2019), increased this power generation target to 7,500 megawatts by 2035, and Executive Order No. 307 (Murphy 2022) increased this power generation target to 11,000 megawatts by 2040.

C. On behalf of the State, the Authority is leading the development of the New Jersey Wind Port, constituting a new purpose-built offshore wind marshalling and manufacturing port at Lower Alloways Creek, Salem County, New Jersey (the "Project"); a first-of-its kind asset in the United States and centerpiece of the State's broader offshore wind development agenda.

D. Pursuant to a Ground Lease Agreement, dated September 14, 2021, as may be amended and supplemented from time to time (the "Ground Lease"), among PSEG Nuclear LLC, a New Jersey limited liability company, as Landlord ("Ground Lessor"), the Authority, as Tenant, and PSEG Nuclear LLC, in its own capacity, the Ground Lessor has leased and shall lease to the Authority a portion of the premises upon which the Project will be constructed, all as provided in and subject to the terms and conditions of the Ground Lease.

E. It has been determined that all or a portion of the Costs of the Project shall be financed through Lease/Sublease arrangements between the State Treasurer, on behalf of the State, and the Authority and the issuance and sale by the Authority of the Initial Bonds, which shall be issued pursuant to the Act, the Authorizing Resolution, this Trust Indenture and the First Supplemental Indenture, as the same may be amended and supplemented in accordance with the terms hereof. The debt service on the Bonds shall be paid by the Authority from the Basic Rent payable to the Authority by the State under the Lease, subject to appropriation from time to time by the State Legislature.

F. By Resolution adopted by the Authority on December 21, 2022, the Authority has authorized (i) the issuance of not exceeding \$160,000,000 State Lease Revenue Bonds (Offshore Wind Port Project), 2023 Series A (Federally Taxable) (Green Bonds – Climate Bond

Certified), (ii) the execution and delivery of the Lease, the Sublease, this Trust Indenture, the First Supplemental Indenture and other documents, and (iii) other matters in connection with the foregoing for the purpose of financing all or a portion of the Costs of the Project and Costs of Issuance of the Initial Bonds.

G. Pursuant to the terms of the Act, the Authorizing Resolution, this Trust Indenture and the First Supplemental Indenture, as the same may be amended and supplemented in accordance with the terms hereof, the Authority shall initially issue the Bonds in an aggregate principal amount sufficient to pay a portion of the Costs of the Project and the Costs of Issuance of such Bonds.

H. The Authority shall assign all of its rights to receive Basic Rent payable under the Lease to the Trustee.

I. In connection with the issuance of the Initial Bonds for the Project, the State will sublease the Leased Premises to the Authority pursuant to the Sublease.

J. Subsequent to the issue of the Initial Bonds, the Authority intends to issue additional New Money Bonds in the future as needed to pay all or portions of the Costs of the Project.

NOW, THEREFORE, to secure the payment of the Authority's Bond Payment Obligations with respect to each Series of Bonds, including Refunding Bonds, and the Authority's Credit Facility Payment Obligations, in accordance with their terms and the provisions of this Indenture, and the performance and observance by the Authority of the covenants, agreements and conditions contained herein, the Authority does hereby assign, transfer, set over and pledge unto the Trustee, its successors in trust and its assigns forever, all the right, title and interest of the Authority in and to, the Pledged Property described below, subject to the provisions of this Trust Indenture;

TO HAVE AND TO HOLD all and singular said right, title and interest of the Authority granted, bargained, sold, assigned, transferred, enfeoffed, conveyed, mortgaged, pledged, alienated, remised, released, confirmed and set over by the Authority as aforesaid or intended so to be, unto the said Trustee, its successors and assigns, forever.

IN TRUST, NEVERTHELESS, under and subject to the terms and conditions hereinafter set forth, for the equal benefit, protection and security of the Holders of any and all of the Series of Bonds, all of which regardless of the time or times of their issuance or maturity, shall be of equal

rank, without preference, priority or distinction of any of the Series of Bonds over any other thereof, except as otherwise provided in or pursuant to this Indenture, and for securing the observance and performance of all the conditions, covenants, promises, stipulations, agreements, terms and provisions of this Indenture and the uses and purposes herein expressed and declared.

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

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

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

Act shall mean the New Jersey Economic Development Authority Act, L. 1974, c. 80, as heretofore or hereafter from time to time amended and supplemented.

Additional Rent shall mean the rental payments specified in Section 3.1(c) of the Lease.

Administrative Expenses shall mean, from and after the Closing Date, (A) the fees and expenses of the Trustee, including any amounts due and required to be paid to the Trustee pursuant to the reimbursement provisions of the Indenture, any paying agents or tender agents, any other fiduciaries acting under the Indenture and the initial and annual fees of the Rating Agencies with respect to the Bonds, and (B) the fees and expenses of any rebate consultant engaged in connection with the Bonds issued with respect to the Project as provided in Section 4.1(d) of the Lease .

Administrative Expenses-Initial shall mean Administrative Expenses which are paid or to be paid from the proceeds from the sale of a Series of Bonds.

Aggregate Obligations shall mean, for any period with respect to any one or more Series of Bonds, the sum of (i) the Authority's Bond Payment Obligations due and owing for such period with respect to such Series of Bonds, and (ii) the Authority's Credit Facility Payment Obligations due and owing for such period in connection with any Credit Facility securing all or a portion of such Series of Bonds.

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

Authority Leased Premises shall mean the real property owned by the Authority which shall form a part of the Leased Premises, as more particularly described in the Lease.

Authorized Authority Representative shall mean the Chairman, Vice Chairman, Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, Vice President, Managing Director, Director, or any other authorized Authority representative who shall have power to execute contracts pursuant to the bylaws or a resolution adopted by the Authority.

Authorized Denomination shall mean the minimum denomination, or any integral multiple thereof, in which a particular Series of Bonds may be issued or remarketed pursuant to the applicable Supplemental Indenture for such Series of Bonds. If no Authorized Denomination is specified in the applicable Supplemental Indenture for a Series of Bonds, the Authorized Denomination for such Series shall be \$5,000 or any integral multiple of \$5,000 in excess thereof.

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

Authorized State Representative shall mean the State Treasurer, the Deputy State Treasurer or the Director of the Office of Public Finance in the Department of the Treasury.

Authorizing Resolution shall mean the Resolution adopted by the Authority on December 21, 2022, authorizing (i) the issuance of the Initial Bonds, (ii) the execution and delivery of, among other things, the Lease, the Sublease, this Trust Indenture and the First Supplemental Indenture and (iii) other matters in connection with the foregoing for the purpose of financing all or a portion of the Costs of the Project and Costs of Issuance of the Initial Bonds.

Basic Rent shall mean the rental payments specified in Section 3.1(a) of the Lease.

Bond or Bonds shall mean any bond or bonds, or note or notes, as the case may be, authenticated and delivered under and pursuant to the Indenture, including the Initial Bonds, any additional New Money Bonds and any Refunding Bonds.

Bond Counsel shall mean any attorney or firm of attorneys nationally recognized in the field of municipal finance and satisfactory to the State Treasurer and the Authority.

Bond Payment Obligations shall mean the Authority's obligation to pay the Principal Installment or Redemption Price of and interest on the Bonds or the purchase price of Bonds tendered for purchase or otherwise purchased by the Authority or the Trustee, at the written direction of the Authority, including Bonds held by a Credit Issuer.

Bond Proceeds Account shall mean the Bond Proceeds Account within the Project Fund established pursuant to Section 502 of the Trust Indenture.

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 under the Indenture.

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

Book-Entry Bonds shall have the meaning ascribed to such term in Section 307 of the Trust Indenture.

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.

Calculation Agent shall mean the calculation agent, if any, appointed pursuant to a Supplemental Indenture with respect to a Series of Bonds to perform the duties of calculation agent in connection with such Series of Bonds.

Capitalized Interest Account shall mean the Capitalized Interest Account within the Debt Service Fund established pursuant to Section 502 of the Trust Indenture.

Code shall mean the Internal Revenue Code of 1986, as amended and supplemented, and the regulations, revenue rulings and procedures issued or made applicable to Tax-Exempt Bonds or the proceeds thereof from time to time.

Cost or **Costs** or **Cost of the Project** or **Costs of the Project** shall mean cost or costs as defined in or otherwise permitted under the Act.

Costs of Issuance shall mean the items of expense related to the authorization, sale and issuance of the particular Series of Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee and Paying Agent, legal fees and charges, professional consultants' fees, costs of credit ratings, premiums for municipal bond insurance, administrative fees of the Authority, fees and charges for execution, transportation and safekeeping of Bonds, costs of contracts for the purchase of investments with Bond proceeds and other costs, charges and fees in connection with the foregoing.

Costs of Issuance Account shall mean the Costs of Issuance Account within the Project Fund established pursuant to Section 502 of the Trust Indenture.

Counsel shall mean an attorney or firm of attorneys of recognized standing, who may be Bond Counsel, counsel to the Authority, or counsel to the State, selected by the Authority or, in the case of counsel to the State, selected by the State.

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement, satisfactory to the Authority, that is provided by a commercial bank, insurance company or other entity, with a current long term rating (or whose obligations thereunder are guaranteed by an entity with a long term rating) from Moody's Investors Service, Inc. and S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC, not lower than the credit rating of the Series of Bonds to be secured by such Credit Facility, to further secure or provide liquidity for the payment of the Principal Amount and interest for a Series of Bonds.

Credit Facility Payment Obligations shall mean all payment and reimbursement obligations of the Authority to a Credit Issuer or any other Person pursuant to or in connection with any Credit Facility securing all or a portion of a Series of Bonds.

Credit Issuer shall mean the issuer of a Credit Facility.

Debt Service Fund shall mean the fund so designated and established pursuant to Section 502 of the Trust Indenture.

Defeasance Securities means (i) any direct and general obligations of, or any obligations guaranteed by, the United States of America, including but not limited to interest obligations of the Resolution Funding Corporation or any successor thereof, (ii) any obligations of any state or political subdivision of a state ("Refunded Bonds") which are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of the Refunded Bonds, (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.

Delivery Date shall mean, with respect to any Series of Bonds, the date on which there is physical delivery of the Bonds of such Series in exchange for the amount of the purchase price therefor.

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 Indenture, and may include the Trustee.

Dissemination Agent shall mean the dissemination agent appointed pursuant to a Supplemental Indenture to perform the duties of dissemination agent for the Bonds issued under this Indenture.

DTC shall mean (a) The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns, and (b) any other Person which may hereafter act as Securities Depository in respect of any Bonds.

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

Event of Non-Appropriation shall mean an Event of Non-Appropriation described in Section 7.5 of the Lease.

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

Fiscal Year shall mean the fiscal year of the State, which is presently the twelve (12) month period beginning on July 1 and ending on June 30 or such other twelve (12) month period constituting the Fiscal Year of the State.

Force Majeure shall mean any delay caused by or resulting from delays in performance caused by or due to inability to obtain transportation, equipment or material, insurrection, fires, floods, storms, embargoes, acts of God, civil or military strikes or actions, labor difficulties, riots, pandemics, or any other cause beyond the reasonable control of the Authority or the State, as the case may be.

Fund shall mean any or all of the Funds established pursuant to Section 502 of the Trust Indenture.

Ground Lease shall mean the Ground Lease Agreement, dated September 14, 2021, among the Ground Lessor, as Landlord, the Authority, as Tenant, and PSEG Nuclear LLC, in its own capacity, as may be amended and supplemented from time to time.

Ground Leased Premises shall mean the leased premises as such term is defined in the Ground Lease.

Ground Lessor shall mean PSEG Nuclear LLC, a New Jersey limited liability company, and its successors and assigns, in its capacity as Landlord under the Ground Lease.

Indenture shall mean this Trust Indenture as from time to time amended or supplemented by Supplemental Indentures and in accordance with the terms hereof.

Initial Bonds shall mean Bonds authenticated and delivered on original issuance under and pursuant to Section 202 of the Trust Indenture for the purpose of (1) paying a portion of the Costs of the Project, including the Costs of Issuance of the Initial Bonds, and (2) funding the initial deposit to the Rent Reserve Account.

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 (102%) percent 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 guaranteed by the United States or by another such agency the obligations (including guarantees) of which are guaranteed by the United States;

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

(iv) Negotiable or non-negotiable certificates of deposit (or other time deposit

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

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

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

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

(b) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$100,000,000 or (iii) a bank approved in writing for such purpose by each Credit Issuer, 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 (2) Business Days of such valuation,

(e) the repurchase agreement matures on or before a Payment Date (or, if held in a Fund other than the Debt Service Fund, 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 Trust Indenture with respect to any particular bank, trust company, or national association shall not exceed five percent (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 subcategories indicated by plus or minus or by numbers) at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof;

(xii) Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is then rated in any of the three highest rating categories by 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 \$100,000,000;

(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 authorized in writing by the State Treasurer.

Lease shall mean the Agreement and Lease between the Authority, as lessor, and the State Treasurer, on behalf of the State, as lessee, relating to the Project, to be executed and delivered in connection the issuance of the Initial Bonds, as amended and supplemented, including as amended and supplemented in connection with the issuance of all subsequent Series of Bonds.

Lease Documents shall mean, individually or collectively, as the context may require, the Lease and the Sublease, including any amendments and supplements to such documents, including, without limitation, amendments and supplements to the Lease executed and delivered in connection with the issuance of a Series of Bonds.

Leased Premises shall mean (i) all of the Authority's leasehold interest in the Ground Leased Premises, subject to terms and provisions of the Ground Lease, and (ii) the Authority Leased Premises, all as more particularly described in the Lease.

Lease Term shall mean the term of the Lease as set forth in Section 2.2 of the Lease.

Maximum Interest Rate shall mean, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, not exceeding twelve percent (12%) per annum, which shall be set forth in the Supplemental Indenture relating to such Variable Interest Rate Bond, that shall be the maximum rate of interest such Variable Interest Rate Bond may at any time bear.

Moody's shall mean Moody's Investors Service, Inc.

Net Proceeds shall mean the Authority's share pursuant to the PSEG Lease of any insurance proceeds, condemnation award or similar payments with respect to the Project, remaining after payment therefrom of all expenses incurred in the collection thereof.

Net Proceeds Account shall mean the Net Proceeds Account within the Project Fund established pursuant to Section 502 of the Trust Indenture.

New Money Bonds shall mean the Initial Bonds and any additional Bonds authenticated and delivered under and pursuant to the Indenture for the purpose of financing all or a portion of the Costs of the Project.

Opinion of Counsel shall mean an opinion signed by an attorney or firm of attorneys of recognized standing meeting the definition of Counsel herein.

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

(a) Bonds canceled by the Trustee at or prior to such date;

(b) 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 Indenture 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 provision satisfactory to the Trustee shall have been made for the giving of such notice as provided in Article IV of the Trust Indenture;

(c) 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 of the Trust Indenture; and

(d) Bonds deemed to have been paid as provided in subsection (2) and subsection (3) of Section 1201.

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 successor or successors hereafter appointed in the manner provided in the Indenture.

Payment Date shall mean a date on which payment of any Aggregate Obligations shall be due and payable.

Person or **Persons** shall mean any one or more individuals, corporations, partnerships, joint ventures, limited liability companies, trusts, unincorporated organizations, governmental agencies or political subdivisions.

Pledged Property shall mean the moneys, funds and other property pledged to the payment of the Aggregate Obligations with respect to the Bonds.

Premises shall mean (i) the Authority Leased Premises, and (ii) the Authority's leasehold interest in the Ground Leased Premises, all as more particularly described in the Lease.

Principal Amount of a Bond shall mean the stated principal amount of such Bond at maturity.

Principal Installment shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (a) the Principal Amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, or (c) if such future dates coincide as to different Bonds of such Series, the sum of such Principal Amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date.

Project shall have the meaning given to such terms in the recitations to the Lease.

Project Fund shall mean the fund so designated and established pursuant to Section 502 of the Trust Indenture.

Project Site shall mean the land described by metes and bounds on Exhibit A attached to the Lease.

Rating Agencies shall mean, collectively, Moody's and S&P, if such Rating Agencies are then providing a rating on the Bonds.

Rebate Amount shall mean the amount required to be rebated to the United States pursuant to Section 148 of the Code.

Rebate Fund shall mean the Fund so designated and established pursuant to Section 502 of the Trust Indenture.

Rebate Payments shall mean the amounts received from the State pursuant to the Lease for the purpose of making rebate payments to the United States pursuant to Section 148 of the Code.

Record Date shall mean with respect to a Payment Date for a particular Series of Bonds, unless otherwise provided by the Supplemental Indenture relating to such Series, the fifteenth (15th) day (whether or not such day shall be a Business Day) next preceding such 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 and the Indenture.

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

Rent or Rentals shall mean (i) Basic Rent and (ii) Additional Rent as described in Section 3.1 of the Lease.

Rent Payment Obligations shall mean the State's obligation to pay Basic Rent pursuant to the Lease.

Requisition shall mean a Requisition executed and delivered substantially in the form set forth in Exhibit B attached hereto and by this reference made a part hereof.

Revenues shall mean all Basic Rent to be paid pursuant to the Lease.

S&P shall mean S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC.

Securities Depository shall mean DTC or any other entity which shall act as a securities depository for the Bonds in accordance with Section 307 of the Trust Indenture.

Series shall mean all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Trust Indenture or a Supplemental Indenture 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 1106 of the Trust Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

Sinking Fund Installment shall mean with respect to a Series an amount so designated which is established pursuant to the applicable Supplemental Indenture.

State shall mean the State of New Jersey.

State Legislature shall mean the New Jersey State Legislature.

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

Sublease shall mean the lease dated January __, 2023, by and between the State Treasurer, on behalf of the State, as sublessor, and the Authority, as sublessee, with respect to the Leased Premises.

Supplemental Indenture shall mean any Indenture supplemental to or amendatory of the Trust Indenture adopted by the Authority in accordance with Article X of the Trust Indenture.

Taxable Bonds shall mean Bonds the interest on which is includable in the gross income of the holders thereof for Federal income tax purposes.

Tax Certificate shall mean, with respect to the any Series of Bonds which are issued as Tax-Exempt Bonds, a certificate to be executed by the Authority and the State simultaneously with the issuance of such Bonds in form and substance satisfactory to Bond Counsel.

Tax-Exempt Bonds shall mean Bonds the interest on which is not includable in the gross income of the holders thereof for Federal income tax purposes.

Tender Agent shall mean the tender agent, if any, appointed pursuant to a Supplemental Indenture with respect to a Series of Bonds to perform the duties of tender agent in connection with such Series of Bonds.

Trustee shall mean the trustee appointed pursuant to a Supplemental Indenture in accordance with Article IX of the Trust Indenture to perform the duties of trustee for the Bonds issued under the Indenture, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Unspent Proceeds shall mean proceeds of a Series of Bonds on deposit in the Subaccount within the Bond Proceeds Account within the Project Fund, and any investment earnings on such proceeds, upon any date that an Authorized Authority Representative determines that such proceeds in whole or in part are not required to pay Costs of the Project.

Valuation Date shall have the meaning set forth in Section 604 hereof.

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 Indenture relating to such Series of Bonds.

Variable Interest Rate Bonds, for any period of time, means 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.

102. Authority for the Indenture. This Trust Indenture is entered into pursuant to the provisions of the Act and the Authorizing Resolution.

103. Indenture 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 Indenture 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 Indenture 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, except as provided in or permitted by the Indenture.

(b) The security interest granted and the pledge and assignment made in the Indenture shall also secure the Authority's Credit Facility Payment Obligations, on parity with the Authority's Bond Payment Obligations.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

201. Authorization of Bonds. (a) The Authority is hereby authorized to issue from time to time, as hereinafter provided, Bonds of the Authority to be designated as "State Lease Revenue Bonds (Offshore Wind Port Project), ____ Series ____". The aggregate Principal Amount of the Bonds which may be executed, authenticated and delivered under the Indenture is not limited except as may be provided in the Indenture or as may be limited by law.

(b) The Bonds may be issued in one or more Series, and the designation thereof, in addition to the name "State Lease Revenue Bonds (Offshore Wind Port Project), ____ Series ____", 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.

(c) Nothing in the Indenture 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 Indenture to be issued at the same time in two or more separate Series or sub-Series, provided that solely for the purpose of satisfying the requirements of Section 202, the Bonds otherwise permitted by the Indenture 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 hereunder and under a Supplemental Indenture notwithstanding any other provision of the Indenture.

202. General Provisions for Issuance of Bonds. (a) All (but not less than all) the Bonds of each Series shall be executed by the Authority for issuance under the Indenture and 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 of:

(1) Copies of the Indenture and the Lease Documents, all certified by an Authorized Authority Representative;

(2) An Opinion or Opinions of Counsel to the effect that (i) the Authority has the right and power to authorize, execute and deliver the Indenture, and the Indenture has been duly and lawfully authorized, executed and delivered by the Authority, is in full force and effect and is valid and binding upon the Authority in accordance with its terms, and no other authorization for the Indenture is required; (ii) the Indenture creates the valid pledge which it purports to create of the Revenues and other Pledged Property held or set aside under the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture; (iii) the Lease Documents are in full force and effect and are valid and binding upon the Authority and the State and enforceable against the Authority and the State in accordance with their terms, and the Bonds of such Series are entitled to the benefits of such Lease Documents; and (iv) the Bonds of such Series are valid and binding obligations of the Authority as provided in the Indenture and entitled to the benefits of the Indenture and the Act as amended to the date of such Opinion of Counsel, and such Bonds have been duly and validly authorized and issued in accordance with law and in accordance with the Indenture; provided, that such Opinion of Counsel 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 affecting creditors' rights generally and general principles of equity and judicial discretion and the valid exercise of the sovereign police powers of the State and of the constitutional power of the United States of America and may state that no opinion is being rendered as to the availability of any particular remedy;

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

(4) In the case of each Series of Bonds, a copy of the Supplemental Indenture authorizing such Bonds, certified by an Authorized Authority Representative, which shall, among other provisions, specify: (i) the authorized principal amount, designation and Series of such Bonds; (ii) the purposes for which such Series of Bonds is being issued, which shall be (A) the financing of all or a portion of the Costs of the Project, or (B) the refunding of Bonds as provided in Section 203; (iii) the date or dates, and the maturity date or dates, of the Bonds of such Series; (iv) if such Bonds are interest-bearing 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 in the case of Variable Interest Rate Bonds, the Maximum Interest Rate for such Bonds, and the provisions, if any, as to the calculation or change of Variable Interest Rates; (v) the denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series, provided that such Bonds shall be in denominations of \$5,000 or any integral multiple thereof or such other denominations as authorized by such Supplemental Indenture; (vi) the Paying Agent or Paying Agents and the place or places of payment of the Principal and Redemption Price, if any, of, and interest on, the Bonds of such Series; (vii) the Redemption Price or Prices, if any, and, subject to Article IV, the redemption terms for the Bonds of such Series; (viii) the amount and due date of each Sinking Fund Installment, if any, for Bonds of like maturity of such Series, provided that each Sinking Fund Installment due date shall fall upon an interest payment date for such Bonds; (ix) if so determined by the Authority, provisions for the sale of the Bonds of such Series; (x) the amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Series of Bonds in such Account or Accounts in the Debt Service Fund as shall be specified therein and provisions for the application thereof to the purposes of such Account or Accounts and (xi) the form of the Bonds of such Series, and the form of the Trustee's certificate of authentication, which forms shall be, respectively, substantially in the forms attached hereto as Exhibit A, with such variations, omissions and insertions as are required or permitted by the Indenture;

(5) Any necessary amendments to the Lease in order to provide for payments of Basic Rent by the State in amounts sufficient, together with the balance from time to time on deposit in the Debt Service Fund, including the Accounts and subaccounts within the Debt Service Fund established under the Indenture and available for the purpose, to pay

the Bond Payment Obligations and Credit Facility Payment Obligations applicable to such Series of Bonds on each Payment Date;

(6) Such further documents, moneys, securities and evidence of deposit of funds with the Trustee as are required by the provisions of Article II, Article X of the Trust Indenture or any Supplemental Indenture executed and delivered pursuant to Article X hereof relating to such Series of Bonds;

(b) Except as otherwise provided in the Supplemental Indenture relating to such Bonds, all the Bonds of each Series of like maturity shall be identical in all respects, except as to denominations, numbers and letters. After the original issuance of 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 1106 of this Trust Indenture.

203. Refunding Bonds. (a) 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 and to make the deposits in the Accounts within the Funds under the Indenture required by the provisions of the Supplemental Indenture relating to such Refunding Bonds. Prior to the authentication and delivery of any Series of Refunding Bonds, the Authority shall deliver to the Trustee, in addition to the items listed in Section 202 (other than the item listed in Section 202(a)(6)), a copy of any amendment to the Lease, if such amendment or amendments is necessary, certified by an Authorized Authority Representative, to confirm that the State's Rent Payment Obligations under the Lease include an amount sufficient to pay debt service on such Refunding Bonds and all other Bonds then Outstanding which are payable from Revenues.

(b) 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) If the Bonds to be refunded are being defeased in accordance with Section 1201, and if such 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;

(2) 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, subject to the provisions of Section 1201 hereof;

(3) Either (i) moneys (including moneys withdrawn and deposited pursuant to paragraph (c) of Section 504) 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 for any period on or prior to the maturity date or redemption date thereof for which the interest rate cannot be determined, 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; and

(4) Such further documents and moneys as are required by the provisions of any Supplemental Indenture executed and delivered pursuant to Article X.

(c) The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds for the purposes of making deposits in such Accounts within the Funds under the Indenture as shall be provided by the Supplemental Indenture authorizing relating to such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Indenture.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

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

(a) 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.

(b) The Bonds may be issued only in the form of fully registered Bonds without coupons. The Bonds shall be in substantially the form set forth in Exhibit A attached hereto or substantially in the form set forth in the Supplemental Indenture relating to such Series.

(c) Each Bond shall be lettered and numbered as provided in the Indenture or the Supplemental Indenture relating to the Series of which such Bond is a part and so as to be distinguished from every other Bond.

(d) Except as may be otherwise provided for any Series of Bonds in Article II hereof or in the Supplemental Indenture relating to 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, 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 this Trust Indenture or the Supplemental Indenture relating to the Bonds of such Series. Bonds of each Series shall bear interest from their date.

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 Indenture 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.

303. Execution and Authentication. (a) The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of an Authorized Authority Representative, 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 any of the Bonds shall cease to be such officer before the Bonds so signed 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 such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed 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.

(b) The Bonds of each Series shall bear thereon a certificate of authentication, substantially in the form set forth in Exhibit A attached hereto, 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 Indenture, 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 Indenture and that the Holder thereof is entitled to the benefits of the Indenture.

304. Exchange, Transfer and Registry. (a) 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 Holder thereof in Person or by his, her or its attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Holder or his, her or its 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, interest rate and maturity as the surrendered Bond.

(b) The Holder 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 of the same aggregate Principal Amount and Series and 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 Holder thereof in Person or by his, her or its 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 Holder or his, her or its duly authorized attorney.

(c) The Authority and each Fiduciary may deem and treat the Person in whose name any Bond shall be registered on 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 all other purposes, and all such payments so made to any such Holder or upon his, her or its 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.

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 Indenture. All Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Trustee and canceled 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 a Payment Date for Bonds of a particular Series and ending on such Payment Date, or for a period of fifteen (15) days next preceding the date (as determined by the Trustee) of any selection of Bonds to be redeemed and thereafter until after the mailing of the notice of redemption, or (b) to transfer or exchange any Bonds called for redemption.

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 date of issue, maturity date, Principal Amount and interest rate per annum as the Bond so mutilated, lost, stolen or destroyed, provided that (a) in the case of such mutilated Bond, such Bond is first surrendered by the Holder to the Authority, (b) 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 and the Trustee, together with indemnity provided by the Holder satisfactory to the Authority and the Trustee, (c) all other reasonable requirements of the Authority and the Trustee are complied with, and (d) expenses in connection with such transaction are paid by the Holder. Any Bond surrendered for transfer shall be canceled. Any such new Bonds issued pursuant to this Section 306 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 Indenture, in any moneys or securities held by the Authority or any Fiduciary for the benefit of the Bondholders.

307. Book-Entry Bonds. 1. Except as provided in subparagraph (3) of this Section 307 or if otherwise provided in the Supplemental Indenture relating to such Series, the registered Holder of Bonds which are issued in Book-Entry only form ("Book-Entry Bonds") shall be, and the Book-Entry Bonds shall be registered in the name of, Cede & Co., as nominee of DTC. With respect to all Book-Entry Bonds for which Cede & Co. shall be the registered Holder, payment of interest on such Book-Entry Bonds shall be made by wire transfer of same day funds to the account of Cede & Co. on the interest payment dates for the Book-Entry Bonds at the address indicated for Cede & Co. in the registration books of the Authority kept by the Trustee, as Bond Registrar.

2. The Book-Entry Bonds shall be initially issued in the form of a separate fully registered bond in the amount of each separate serial maturity of the Book-Entry Bonds. Upon initial issuance, the ownership of each such Book-Entry Bond shall be registered on the registration books of the Authority kept by the Trustee in the name of Cede & Co. With respect to Book-Entry Bonds so registered in the name of Cede & Co., the Authority and the Trustee shall have no responsibility or obligation to any DTC participant, indirect DTC participant, or any beneficial owner of the Book-Entry Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC participant or indirect DTC participant with respect to any beneficial ownership interest in the Book-Entry Bonds, (ii) the delivery to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede & Co., of any notice with respect to the Book-Entry Bonds, or (iii) the payment to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede & Co., of any amount with respect to the principal of, premium, if any, or interest on the Book-Entry Bonds. The Authority and the Trustee may treat DTC as, and deem DTC to be, the absolute registered Holder of each Book-Entry Bond for the purpose of (i) payment of the principal or Redemption Price of and interest on each such Book-Entry Bond, (ii) giving notices with respect to the Book-Entry Bonds, (iii) registering transfers with respect to the Book-Entry Bonds and (iv) for all other purposes whatsoever. The Trustee shall pay the principal or Redemption Price of and interest on the Book-Entry Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal or Redemption Price and interest to the extent of the sum or sums so paid. No person other than DTC shall receive a physical certificate evidencing the obligation of the Authority to make

payments of principal or Redemption Price of a Book-Entry Bond and interest thereon pursuant to the Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions hereof, the words "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

3. (a) DTC may determine to discontinue providing its services with respect to the Book-Entry Bonds at any time by giving written notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Upon receipt of such notice, the Authority shall promptly deliver a copy of same to the Trustee.

(b) The Authority (i) in its sole discretion and without the consent of any other person, may discontinue the use of the system of book-entry only transfers through DTC (or a successor Securities Depository) with respect to Book-Entry Bonds, in which event physical Bond certificates are required to be printed and delivered to DTC, and (ii) shall terminate the services of DTC with respect to the Book-Entry Bonds upon receipt by the Authority and the Trustee of written notice from DTC to the effect that DTC has received written notice from DTC participants or indirect DTC participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Book-Entry Bonds to the effect that (A) DTC is unable to discharge its responsibilities with respect to the Book-Entry Bonds; or (B) a continuation of the requirement that all of the Outstanding Book-Entry Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Book-Entry Bonds.

(c) Upon the termination of the services of DTC with respect to all or any portion of the Book-Entry Bonds pursuant to subsection 307(3)(b)(ii)(A) hereof, or upon the discontinuance or termination of the services of DTC with respect to all or any portion of the Book-Entry Bonds pursuant to subsection 307(3)(a) or 307(3)(b)(ii)(B) hereof, after which no substitute Securities Depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the Book-Entry Bonds (or the applicable portion thereof) shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging such Book-Entry Bonds shall designate, in accordance with the provisions of the Indenture. Upon the determination by any party authorized herein that the Book-Entry Bonds (or any portion thereof) shall no longer be limited to Book-Entry only form, the

Authority shall immediately advise the Trustee in writing of the procedures for transfer of such Bonds from such Book-Entry only form to a fully registered form.

4. Notwithstanding any other provision of this Indenture to the contrary, so long as any Book-Entry Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or Redemption Price of and interest on, and all notices with respect to, such Book-Entry Bond shall be made and given, respectively, to DTC as provided in the Letter of Representations of the Authority and the Trustee, addressed to DTC, with respect to the Book-Entry Bonds.

5. In connection with any notice or other communication to be provided to holders of the Book-Entry Bonds pursuant to the Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by such Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

308. Temporary Bonds. (a) 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 Indenture.

(b) All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith canceled by the Trustee.

ARTICLE IV

REDEMPTION OF BONDS

401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to the Indenture and a Supplemental Indenture 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 Indenture authorizing such Series.

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, at the written direction of an Authorized State Representative, 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 there is more than one interest rate within a maturity, each interest rate within such maturity of such Series to be redeemed (which Series, maturities and Principal Amounts thereof to be redeemed shall be determined by the Authority at the written direction of the Authorized State Representative, subject to any limitations with respect thereto contained in the Indenture). Such notice shall be given at least five (5) Business Days prior to the date upon which the Trustee is required to give notice of such redemption to the Holders of the Bonds, or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 405 provided, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount in cash 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.

403. Redemption Otherwise Than at the Authority's Election or Direction. Whenever by the terms of the Indenture the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the Authority, the Trustee shall (a) select the Bonds or portions of Bonds to be redeemed, (b) give the notice of redemption and (c) 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, Section 504.

404. Selection of Bonds to be Redeemed. Unless otherwise provided in a Supplemental Indenture, if less than all of the Bonds of like maturity and interest rate of any Series shall be called for 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. If any maturity includes Bonds bearing interest at more than one rate, each separate interest rate within a maturity shall be treated as a separate maturity for the purpose of this Section 404.

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 rates 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, maturity and, if applicable, interest rate within a 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 Indenture 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. Copies of all notices of redemption shall also be sent to the Authority and the State.

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.

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 Holder thereof, for the unredeemed balance of the Principal Amount of the Bonds so surrendered, Bonds of like Series and maturity in any of the Authorized Denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest 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.

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.

408. 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 408 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 Trust Indenture or any Supplemental Indenture 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 408.

ARTICLE V

ESTABLISHMENT OF FUNDS AND ACCOUNTS AND APPLICATION THEREOF

501. The Pledge Effected by the Indenture. (a) The Bonds are special, limited obligations of the Authority payable solely from the Pledged Property. There is hereby pledged and assigned to the Trustee as security for the payment of the Authority's Bond Payment Obligations with respect to each Series of Bonds, including Refunding Bonds, and the Authority's Credit Facility Payment Obligations, in accordance with their terms and the provisions of the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, (1) all funds, moneys and Investment Securities deposited in the Accounts within the Debt Service Fund and subaccounts within the Accounts within the Debt Service Fund pursuant to the Indenture and/or any Supplemental Indenture, and (2) the Revenues. Except as otherwise may be provided in a Supplemental Indenture, none of the Funds or Accounts within a Fund or subaccounts within an Account within a Fund other than the Debt Service Fund and the Accounts and subaccounts therein are pledged to the payment of the Bonds.

(b) All Pledged Property shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all Persons having claims of any kind in tort, contract or otherwise against the Authority or the State, irrespective of whether such Persons have notice thereof.

(c) Nothing contained in this Section 501 shall be deemed a limitation upon the authority of the Authority to issue bonds, notes or other obligations under the Act secured by income and funds other than the Pledged Property.

(d) **THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS.**

THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY AGENCY OR INSTRUMENTALITY THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

(e) Notwithstanding the pledge effected by the Indenture or any provision of the Indenture, the cost and expense of the payment and performance by the State of its Rent Payment Obligations under the Lease in any Fiscal Year shall be subject to and dependent upon appropriations being made from time to time by the State Legislature in such Fiscal Year in an amount sufficient to pay the State's Rent Payment Obligations for such Fiscal Year. The State Legislature has no legal obligation to make any such appropriations. Upon an Event of Non-Appropriation, the Trustee, on behalf of the Holders of the Bonds, has no remedies. The Trustee may not seek to terminate the Lease or to accelerate the Bonds and has no rights to the Project. The State has no obligation to pay its Rent Payment Obligations with respect to which an Event of Non-Appropriation has occurred. The Lease shall not terminate, and the State shall remain obligated to pay its Rent Payment Obligations and all future Rent Payment Obligations thereunder, to the extent that appropriations for the principal or Redemption Price of or interest on the Bonds have been made.

502. Establishment of Funds and Accounts. There are hereby established with the Trustee the following Funds and Accounts within Funds, all of which shall be held by the Trustee:

(a) Project Fund and, within the Project Fund, a Costs of Issuance Account, a Bond Proceeds Account, and a Net Proceeds Account, and, within the Bond Proceeds Account, a subaccount with respect to each Series of New Money Bonds issued to fund all or a portion of the Costs of the Project;

(b) Debt Service Fund and, within the Debt Service Fund, a Capitalized Interest Account;

(c) Rebate Fund; and

- (d) Revenue Fund.

The Trustee shall establish and maintain separate accounts and subaccounts for each Series of Bonds.

503. Project Fund. There shall be paid into the Project Fund the amounts required to be so paid by the provisions of the Trust Indenture or any Supplemental Indenture, and there may be paid into the Project Fund, at the option of the Authority, any monies received by the Authority from any source, unless required to be otherwise applied as provided by the Trust Indenture or any Supplemental Indenture. Amounts on deposit in the Project Fund shall be held by the Trustee separate and apart from its other funds and applied by the Authority to pay or reimburse the Authority or its designee for Costs of the Project.

(a) Upon the issuance of any Series of Bonds, the Trustee shall deposit into the Subaccounts within the Costs of Issuance Account and the Bond Proceeds Account the amounts required to be deposited therein from the proceeds of the sale of such Series of Bonds, as set forth in the applicable Supplemental Indenture. In addition, the Trustee shall deposit into the Project Fund all Additional Rent when and as received by the Trustee, except for such amounts required to be deposited in the Rebate Fund pursuant to Section 505 hereof.

(b) Upon the issuance of a Series of Bonds, moneys deposited in the Costs of Issuance Account shall be applied to the payment of Costs of Issuance of the Bonds of such Series upon the written direction of an Authorized State Representative. Any balance remaining in the Costs of Issuance Account established with respect to a Series of Bonds, upon payment in full of the Costs of Issuance for the Bonds of such Series as evidenced by a certificate of an Authorized State Representative, shall be transferred to the applicable Bond Proceeds Account within the Project Fund and shall thereupon be deposited in such subaccount or subaccounts within the Bond Proceeds Account as shall be set forth in a written direction of an Authorized State Representative.

(c) The Trustee shall make disbursements from the Subaccount(s) within the Bond Proceeds Account to pay, or reimburse the Authority or its designee for the payment of, Costs of the Project or portion thereof being financed from the proceeds of the applicable Series of Bonds, upon receipt by the Trustee of a Requisition which shall be executed and delivered substantially in the form attached hereto as Exhibit B, stating (1) the Requisition number, (2) the name and address of the person, firm or corporation to whom payment is due or has been made, (3) the amount to be paid, and (4) that each obligation, item of cost or expense mentioned therein has been properly incurred, is an item of Cost of the Project, is a proper charge against the Project

Fund, and has not been the basis of any previous withdrawal. The Supplemental Indenture authorizing a Series of Bonds may contain additional conditions to the disbursement of funds held in the Project Fund.

(d) Additional Rent shall be paid to the Trustee for deposit to the Project Fund and shall be applied by the Trustee to the payment of Administrative Expenses (other than Administrative Expenses-Initial) upon the written direction of an Authorized Authority Representative.

(e) (i) In the event of any damage, destruction, condemnation or similar event with respect to all or a portion of the Ground Leased Premises, the Net Proceeds therefrom shall be applied as provided in the Ground Lease.

(ii) In the event of any damage, destruction, condemnation or similar event with respect to all or a portion of the Authority Leased Premises, the Net Proceeds therefrom shall be deposited in the applicable Subaccount within the Net Proceeds Account within the Project Fund and applied as determined by the Authority, with the written consent of the State Treasurer.

504. Debt Service Fund. The Trustee shall deposit into the Debt Service Fund all Revenues when and as received by the Trustee and all transfers and deposits required under any provision of the Trust Indenture or of any Supplemental Indenture.

(a) Moneys in each subaccount within the Capitalized Interest Account shall be transferred to the Debt Service Fund on each Payment Date in amounts sufficient to pay the interest due on such Payment Date on any Series of Bonds with respect to which moneys are then held in the Capitalized Interest Account for the payment of capitalized interest.

(b) The Trustee shall pay out of the Debt Service Fund (i) to the respective Paying Agents, on or before each interest payment date for any of the applicable Bonds, the amount required for the interest payable on such date; (ii) to the respective Paying Agents, on or before the date when a Principal Installment of any applicable Bonds shall become due, the Principal Installment coming due on such date; (iii) to each applicable Credit Issuer, on or before each due date for such payments, the amount required for any applicable Credit Facility Payment Obligations coming due on such date; (iv) to the respective Paying Agents, 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; and (v) as soon as reasonably practicable, the amount of any prior applicable Bond Payment Obligations and the amount of any prior applicable Credit Facility Payment Obligations which remain unpaid by reason of the

occurrence of an Event of Non-Appropriation. The Trustee shall also pay out of the Debt Service Fund the accrued interest included in the purchase price of Bonds purchased for retirement.

(c) In the event of the refunding of any Bonds, the Trustee shall, if the Authority so directs, withdraw from the 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.

(d) Amounts may be deposited by the Authority, in its sole discretion in the 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 (25) days (or such shorter period as shall be acceptable to the Trustee or authorized in the applicable Supplemental Indenture) 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 (d) 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.

505. Rebate Fund. The Authority and the Trustee shall deposit in the Rebate Fund (i) investment earnings on the Funds and Accounts (other than the Debt Service Fund) which are transferred to the Rebate Fund pursuant to Section 603, and (ii) Rebate Payments received from the State pursuant to the Lease. 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 compliance or similar certificates delivered in connection with the issuance of each Series of Bonds or as otherwise advised in writing by Bond Counsel.

506. [RESERVED]

507. Amounts Remaining in Funds. At such time that no Bonds of a Series are Outstanding, the amounts remaining in the Funds and Accounts in respect of the Principal Installment or Sinking Fund Installment of and interest on the Bonds of such Series and any unpaid fees required to be paid with respect to such Series shall be transferred to the Authority, free and clear of the lien of the Indenture.

508. Establishment of Additional Funds and Accounts. The Authority may, by Supplemental Indenture, establish such additional Funds and/or Accounts and subaccounts within the Funds as it deems necessary or desirable.

509. Cancellation and Destruction of Bonds. 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 504 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 representatives 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. Notwithstanding the foregoing, Bonds purchased in lieu of redemption pursuant to Section 408 shall not be cancelled and destroyed unless the Trustee shall receive written instructions from an Authorized Authority Representative to do so.

ARTICLE VI

**DEPOSITORIES OF MONEYS, SECURITY FOR
DEPOSITS AND INVESTMENT OF FUNDS**

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

(b) 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 \$100,000,000 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 Indenture.

602. Deposits. (a) All Revenues and moneys held by any Depository under the Indenture may be placed on demand or time deposit, if and as directed by the Authority, at the written request of an Authorized State Representative, provided that such deposits shall permit the moneys so held to be available for use at the times 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 shall be available for use at the times 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.

(b) All moneys held under the Indenture by the Trustee or any Depository shall be (1) either (i) insured by the Federal Deposit Insurance Corporation, as available or (ii) in the case of moneys held by the Trustee in the Debt Service Fund, 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 (2) 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 (b) for the deposit of any 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.

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

603. Investment of Certain Funds. Unless otherwise provided in the Indenture, moneys held in the Funds and Accounts and subaccounts established under the Indenture 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 the Authorized State Representative. In making any investment in any Investment Securities with moneys in any Fund or Account or subaccounts established under the Indenture, the Authorized State Representative may instruct the Trustee or any Depository to combine such moneys with moneys in any other Fund or Account or subaccount, but solely for purposes of making such investment in such Investment Securities.

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 or subaccounts, other than the Debt Service Fund, shall be paid into the Rebate Fund on a monthly basis. Interest earned or gain realized on any moneys or investments in the Debt Service Fund shall be held in such Fund and applied for the purposes thereof.

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

Nothing in the Indenture shall preclude the Trustee or any Depository 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.

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

In computing the amount in any Fund, Account or subaccount created under the provisions of the Indenture for any purpose provided in the Indenture, 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 ("Valuation Date").

Except as otherwise provided in the Indenture, 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 State Representative so to do. Whenever it shall be necessary, or upon direction of an Authorized State Representative in accordance with the Indenture, in order to provide moneys to meet any payment or transfer from any Fund, Account or subaccount 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 State Representative necessary to provide sufficient moneys for such payment or transfer.

Neither the Trustee nor any Depository shall 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:

701. Payment of Bonds. The Authority shall duly and punctually pay or cause to be paid, but solely from the Pledged Property, the Principal Amount or Redemption Price, if any, 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.

702. Credit Facilities. 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 Credit Facility, including the payment when due, but solely from the Pledged Property, of all Credit Facility Payment Obligations.

703. 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 Indenture, to the benefit of the Indenture or to any payment out of the Funds or Accounts and subaccounts within the Funds established by the Indenture, including the investments, if any, thereof, pledged under the Indenture or the moneys (except moneys held in trust for the payment of particular Bonds or claims for interest pursuant to the Indenture) 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.

704. 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 city or cities, 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 Indenture, 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.

705. Further Assurance. The Authority shall, as far as it may be authorized by law, comply with any reasonable request of the Trustee to pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, moneys, securities and funds hereby pledged, or intended so to be, or which the Authority may become bound to pledge.

706. Power to Issue Bonds and Pledge Pledged Property. The Authority is duly authorized under all applicable laws to create and issue the Bonds and to authorize, execute and deliver the Indenture and to pledge the Pledged Property purported to be subjected to the lien of the Indenture in the manner and to the extent provided in the Indenture. Except to the extent otherwise provided in the Indenture, 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 Indenture, 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 Indenture 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 Indenture and all the rights of the Bondholders under the Indenture against all claims and demands of all Persons whomsoever.

707. Creation of Liens. The Authority shall not issue any bonds, notes, debentures or other evidences of indebtedness of a similar nature, other than the Bonds and other than Credit Facility Payment Obligations, payable out of or secured by a pledge or assignment of the Pledged Property and shall not create or cause to be created any lien or charge on the Pledged Property, provided, however, that nothing contained in the Indenture shall prevent the Authority from issuing, if and to the extent permitted by law, 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 Indenture shall be discharged and satisfied as provided in Section 1201.

708. Lease and Sublease. The Authority and the Trustee, as assignee of the Authority, shall collect and forthwith cause to be deposited with the Trustee any and all Rent Payment Obligations payable to the Authority pursuant to the Lease. The Authority shall enforce, for the benefit of the Trustee, the Bondholders, and each Credit Issuer the provisions of Article IV and Section 6.3 of the Lease. In addition, the Trustee shall have the concurrent right to enforce directly the provisions relating to the payment of Rent Payment Obligations under Section 4.1(a) of the Lease. Copies of the Lease and the Sublease, certified by an Authorized Authority Representative, shall be filed with the Trustee, and a copy of any amendment to the Lease or the Sublease certified by an Authorized Authority Representative shall be filed with the Trustee. Other than in connection with the issuance of Refunding Bonds pursuant to the Indenture, the Authority will not consent or agree to or permit any amendment, change or modification to the Lease which would reduce the Rent Payment Obligations payable to the Authority or extend the times when such Rent Payment Obligations are to be made thereunder.

709. Accounts and Reports. (a) The Trustee and any Depository shall advise the Authority and the State promptly, within ten (10) days after the end of each month, of the respective transactions during such month relating to each Fund, Account and subaccount held by it under the Indenture.

(b) The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Indenture shall be available for the inspection of Bondholders at the office of the Trustee.

710. Credit 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 Credit Facility, including the payment when due, but solely from the Pledged Property, of all Credit Facility Payment Obligations; provided, however, that nothing herein shall be construed to limit in any way any right of the Authority to terminate a Credit Facility in accordance with the terms thereof.

711. Obligation to Enforce Credit 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 Credit 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 Credit Facility. In the event of the transfer, assignment or other conveyance of any Credit Facility in accordance with its terms by the Credit Issuer thereof or the substitution of a new Credit Issuer for any then-existing Credit Issuer, the Trustee shall promptly notify the Authority and the Rating Agencies of the name and address of the new Credit Issuer and any modifications, amendments or supplements to the terms of the existing Credit Facility.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES OF BONDHOLDERS; APPLICATION OF PLEDGED PROPERTY AFTER EVENT OF NON-APPROPRIATION

801. Events of Default.

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

(a) if default shall be made in the payment of the principal or Redemption Price of or interest on any Bond when and as the same shall become due and payable; or

(b) if the Authority shall fail to pay when due any Credit Facility Payment Obligation; or

(c) if default shall be made by the Authority in the performance of any other covenant, agreement or condition on its part contained in the Bonds or in this Trust Indenture and

such default continues for 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. The Trustee shall notify the Authority, the Credit Issuers and the Holders of all Bonds Outstanding of the occurrence of any Event of Default.

3. NOTWITHSTANDING ANYTHING CONTAINED IN THIS SECTION 801 TO THE CONTRARY, A FAILURE BY THE AUTHORITY TO PAY WHEN DUE ANY BOND PAYMENT OBLIGATIONS OR CREDIT FACILITY PAYMENT OBLIGATIONS REQUIRED TO BE MADE UNDER THIS TRUST INDENTURE 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 TRUST INDENTURE 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, then, and in each such case, the Trustee or Holder 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 Trust Indenture or the Bonds.

2. Nothing in this Trust Indenture 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 Trust Indenture, 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. Remedies Not Exclusive.

No remedy by the terms of this Trust Indenture conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Trust Indenture or, except as otherwise provided in this Trust Indenture, existing at law or in equity or by statute on or after the date of adoption of this Trust Indenture.

SECTION 804. Waivers of Default.

1. All rights of action under the Indenture 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.

2. 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.

3. Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

4. Regardless of the happening 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 Indenture by any acts which may be unlawful or in violation of the Indenture, 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.

805. Application of Pledged Property After Default. If an Event of Default under Section 801 has occurred and is continuing, all Pledged Property then held and thereafter received by the Trustee shall be applied as follows and in the following order of priority:

(a) to the payment of the reasonable and proper charges, expenses, costs and liabilities of the Trustee, including without limitation the reasonable expenses of counsel employed by it; and

(b) to the payment of the interest and Principal Installments or Redemption Price then due on the Bonds and the payment of the Credit Facility Payment Obligations, as follows:

First: To the payment of interest then due on the Bonds and Credit Facility Payment 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 on the Bonds or Credit Facility Payment Obligations maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each Bond, and Credit Facility Payment Obligations without priority or preference of any Bond or Credit Facility Payment Obligations over any other; and

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

(c) to the Authority for payment of Administrative Expenses, with any balance to be paid to the State, if any amounts remain after all payments due under paragraphs (a) and (b) have been made.

If and whenever all Events of Default under Section 801 shall be cured to the satisfaction of the Trustee and all amounts due and payable to the Bondholders and in respect of Credit Facility Payment Obligations and the Trustee have been paid or provision deemed to be adequate by the Trustee for such cure or payment shall be made, the Authority and the Trustee

shall be restored, respectively, to their former positions and rights with respect to Bonds under this Indenture. No such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

806. Application of Pledged Property After Event of Non-Appropriation. From and after the occurrence of an Event of Non-Appropriation, all Pledged Property then held or thereafter received by the Trustee shall be applied as set forth in Section 805.

807. Proceedings Brought by Trustee. (a) 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 Principal Amount of the Bonds Outstanding and upon being furnished with indemnity satisfactory to it against costs, expenses and liabilities shall proceed, to protect and enforce its rights and the rights of the Holders of the Bonds under the Indenture and the Lease Documents, including, without limitation, Section 7.2 of the Lease, 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 Indenture.

(b) All rights of action under the Indenture and the Lease Documents, if any, 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.

(c) 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 not have been provided with adequate indemnity against the costs, expenses or liabilities arising therefrom or 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. Notwithstanding anything stated herein to the contrary, so long as a

Credit Facility is in full force and effect and the Credit Issuer is not in default thereunder, the Credit Issuer shall have the right to direct any and all remedies following an Event of Default.

(d) Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and the Lease Documents, if any, and provided to be exercised by the Trustee upon the occurrence of any Event of Default. Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of a majority in Principal Amount of the Bonds then Outstanding and furnished with reasonable indemnity against the costs, expenses and liabilities, 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 Indenture by any acts which may be unlawful or in violation of the Indenture, 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.

808. Restrictions on Bondholder's Action. (a) 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 Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article VIII, and the Holders of at least twenty-five (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 Indenture 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 attorneys' fees), expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 703.

(b) Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority under the Indenture, 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, her or its Bond, but only from the Revenues and other Pledged Property under the Indenture.

809. [RESERVED]

810. Effect of Waiver and Other Circumstances. (a) No delay or omission of the Trustee or any Bondholder to exercise any right or power arising upon the happening or 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 VIII to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

(b) 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 Indenture 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.

ARTICLE IX

CONCERNING THE FIDUCIARIES

901. Trustee; Appointment and Acceptance of Duties. The Authority shall, by Supplemental Indenture, appoint a firm to serve as Trustee for the Bonds. The Trustee appointed shall have the qualifications set forth in Section 909 for a successor Trustee. The Trustee appointed shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the Authority a written acceptance thereof, and by executing such acceptance the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in the Indenture.

902. Paying Agents; Appointment and Acceptance of Duties.

(a) 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.

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

(c) 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.

903. Responsibilities of Fiduciaries. (a) 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 Indenture or of any Bonds issued thereunder or as to the security afforded by the Indenture, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for its representation 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 Indenture to the Authority or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of subsection (b) 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.

(b) 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 Indenture. 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 the Indenture, 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, her or its own affairs. Any provision of the Indenture 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.

904. Evidence on Which Fiduciaries May Act. (a) Each Fiduciary, upon receipt of any notice, requisition, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of the Indenture, shall examine such instrument to determine whether it conforms to the requirements of the Indenture 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 Indenture in good faith and in accordance therewith.

(b) 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 Indenture, such matter (unless other evidence in respect thereof be therein specifically prescribed) shall be deemed to be conclusively proved and established by a certificate of an Authorized Authority Representative or an Authorized State Representative, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Indenture 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.

(c) Except as otherwise expressly provided in the Indenture, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Authority or the State to any Fiduciary shall be sufficiently executed in the name of the Authority or the State when signed by an Authorized Authority Representative or an Authorized State Representative, as the case may be.

905. Compensation.

1. The Authority shall pay to each Fiduciary from time to time, but only from payments received for such purpose from the State pursuant to the Lease and from the Pledged Property, reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture, 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 applicable 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 Indenture; 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 Indenture or undertaking any transaction contemplated by the Indenture; 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 Indenture, 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 Indenture, 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 Authority's reimbursement obligation provided for in this Section 905 does not apply to or extend to any indemnification which may be given by any Fiduciary to any other person.

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 depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Indenture, whether or not any such committee shall represent the Holders of a majority in Principal Amount of the Bonds then Outstanding.

907. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties created by the Indenture by giving not less than ninety (90) days written notice to the Authority and the State and mailing notice thereof to the Holders of Bonds then Outstanding and the Credit Issuer, if any, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless (a) 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 (b) 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.

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 or the State. 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, with the prior written consent of an Authorized State Representative.

909. Appointment of Successor Trustee. (a) In case at any time the Trustee shall provide notice of its resignation as set forth in Section 907 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, at the direction of an Authorized State Representative, by a duly executed written instrument signed by an Authorized Authority Representative, but if the Authority does not appoint a successor Trustee within sixty (60) days then by the Holders of 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 Holders of the Bonds then Outstanding.

(b) If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section 909 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.

(c) 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 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 Indenture.

910. Transfer of Rights and Property To Successor Trustee. Any successor Trustee appointed under the Indenture 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 Indenture, 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.

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 or 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 Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

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

913. Resignation or Removal of Paying Agent and Appointment of Successor. (a) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Indenture 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 Authority Representative. Any successor Paying Agent shall be appointed by the Authority 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 Indenture.

(b) 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 INDENTURES; AMENDMENT OF CERTAIN PROVISIONS OF LEASE DOCUMENTS

1001. Supplemental Indenture 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 Indenture of the Authority may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Authority Representative shall be fully effective in accordance with its terms:

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

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

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

(d) 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 Indenture 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;

(e) To make such changes in the Indenture, not adverse to the rights of the Holders of the Bonds, as are necessary or appropriate to accomplish or recognize Book-Entry Bonds and specify and determine the matters and things relative to the issuance of Book-Entry Bonds as are appropriate or necessary;

(f) 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 Indenture of the Pledged Property and to pledge as Pledged Property any additional revenues, moneys, securities, or other agreements; and

(g) To modify any of the provisions of the Indenture in any other respect whatever, provided that (1) such modification does not adversely affect the interests of the Bondholders, determined without regard to any Credit Facility or any Credit Issuer, or (2) 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 Indenture shall cease to be Outstanding. Any Supplemental Indenture adopted pursuant to this Section 1001(g) shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof.

1002. Supplemental Indenture 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 Indenture may be adopted, which, upon (a) the filing with the Trustee of a copy thereof certified by an Authorized Authority Representative, and (b) 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 cure or correct any defect or inconsistent provision in the Indenture; or

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

1003. Supplemental Indenture Effective With Consent of Bondholders. At any time or from time to time, a Supplemental Indenture may be adopted subject to (a) consent by Bondholders in accordance with and subject to the provisions of Article XI, (b) consent by any Credit Issuer, the consent of which is required by the applicable Credit Facility, and (c) during such time that the Bonds are rated by a Rating Agency, written notice from the Trustee to such Rating Agency at least fifteen (15) days prior to the effective date of a Supplemental Indenture, which Supplemental Indenture, upon the filing with the Trustee of a copy thereof certified by an Authorized Authority Representative and upon compliance with the provisions of said Article XI, shall become fully effective in accordance with its terms as provided in said Article XI.

1004. General Provisions. (a) The Indenture 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 705 or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which elsewhere in the Indenture it is provided shall be delivered to said Fiduciary.

(b) Any Supplemental Indenture 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 Indenture when filed with the Trustee shall be accompanied by an Opinion of Counsel stating that such Supplemental

Indenture has been duly and lawfully adopted in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture, 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.

(c) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Indenture 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 Counsel that such Supplemental Indenture is authorized or permitted by the provisions of the Indenture.

(d) No Supplemental Indenture shall change or modify any of the rights or obligations of any Fiduciary without its written consent thereto.

1005. Amendments to the Lease Documents.

(a) The Trustee may, without the consent of or notice to the Bondholders or any Credit Issuer, consent to any amendment, change or modification of the provisions of the Lease Documents for one or more of the following purposes:

(1) To cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision in the Lease Documents; or

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

(3) [Reserved]; or

(4) To make such other revisions as do not adversely affect the interests of the Bondholders, determined without regard to any Credit Facility or any Credit Issuer.

(b) Except for the amendments, changes or modifications as provided in Section 1005(a), the Trustee shall not consent to any other amendment, change or modification of the Lease Documents without (1) the consent of the Bondholders to be obtained in accordance with and subject to the provisions of Article XI, and (2) fifteen (15) days prior written notice to each Rating Agency, if any, of such amendment, change or modification.

ARTICLE XI

AMENDMENTS

1101. Mailing. Any provision in this Article XI for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid only (a) to each Holder of Bonds then Outstanding at his, her or its address, if any, appearing upon the registry books of the Authority, and (b) to the Trustee.

1102. Powers of Amendment. Any modification or amendment of the Indenture 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 Indenture, and any modification or amendment of the Lease Documents (other than for the purposes set forth in Section 1005(a)) may be consented to by the Trustee, with the written consent given as provided in Section 1103(a)(1) of (A)(i) the Holders of at least forty percent (40%) in Principal Amount of the Bonds Outstanding at the time such consent is given who are affected by the proposed modification or amendment, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least forty percent (40%) in Principal Amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified 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 1102, and (B) any Credit Issuer the consent of which is required by the applicable Credit Facility. 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 any Fiduciary without its written assent thereto. For the purpose of this Section 1102, a Series shall be deemed to be affected by a modification or amendment of the Indenture 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 Indenture 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 Indenture 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.

1103. Consent of Bondholders. (a) The Authority may at any time adopt a Supplemental Indenture 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 Indenture (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 Indenture when consented to as in this Section 1103 provided). Such Supplemental Indenture shall not be effective unless and until (1) 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 Credit Issuer, the consent of which is required pursuant to the applicable Credit Facility and (C) an Opinion of Counsel stating that such Supplemental Indenture has been duly and lawfully authorized, executed and delivered by the Authority in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture, and valid and binding upon the Authority and enforceable in accordance with its terms, subject to any applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally, and (2) 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 1204. 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 1204 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 1204 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 1204 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 consent to the Supplemental Indenture, 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 statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture executed 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 Indenture 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 Indenture 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 Indenture 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 Indenture as they may deem expedient.

(b) The Trustee may consent to any modification or amendment of the Lease Documents as permitted by the provisions of Section 1102 to take effect when and as provided in this Section 1103. A copy of such modification or amendment (or brief summary thereof), together with a request to Bondholders for their consent thereto shall be mailed by the Trustee to Bondholders (but failure to mail such copy and request shall not affect the validity of the Trustee's consent thereto when consented to as in this Section 1103 provided). The Trustee's consent to such modification or amendment shall not be effective unless and until (1) there shall have been filed with the Trustee the written consents of (i) Holders of the percentages of Outstanding Bonds specified in Section 1102 and (ii) any Credit Issuer, the consent of which is required under the applicable Credit Facility and (2) 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 1204. 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 1204 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 1204 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 1204 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 consent to such modification or amendment, 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 statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Trustee's consent to such modification or amendment 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 the Trustee's consent to such modification or amendment 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. The Trustee's consent to such modification or amendment 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 consent 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 consent as they may deem expedient.

1104. Modifications by Unanimous Consent. The terms and provisions of the Indenture 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 Indenture and the consent of (a) the Holders of all of the Bonds then Outstanding, and (b) any Credit Issuer, the consent of which is required by the applicable Credit Facility, such consent 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.

1105. Exclusion of Bonds. Bonds owned or held by or for the account of the Authority or the State 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 and the State shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article XI. At the time of any consent or other action taken under this Article XI, the Authority and the State shall furnish the Trustee a certificate of an Authorized Authority Representative or an Authorized State Representative, as the case may be, upon which the Trustee may rely, describing all Bonds so to be excluded.

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 date and presentation of his, her or its Bond for the purpose at the corporate trust office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, 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

1201. Defeasance. (1) If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to (A) the Holders of all Bonds, 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, if any, and in the Indenture and (B) to any Credit Issuer, any and all amounts then due and owing under the related Credit Facility, then the pledge of the Pledged Property, any Revenues, and other moneys and securities pledged under the Indenture 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 State and 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 State the Pledged Property, including all moneys or securities held by them pursuant to the Indenture 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 Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, 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 1201. Subject to the provisions of subsection (3) through subsection (6) of this Section 1201, 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 1201 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 (c) of Section 504) 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 Indenture. 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) 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, 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 clause (b) above of this subsection (2) of Section 1201, the Trustee shall, if requested by the Authority, pay the amount of such excess to the State free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Indenture. 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 State as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Indenture, 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 State, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Indenture. For the purposes of this Section 1201, Defeasance Securities means and include only (I) Defeasance Securities which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof, (II) 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 (III) 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 (a) for any period prior to the maturity date or redemption date thereof, as the case may be, with respect to which the interest rate on such Variable Interest Rate Bonds shall have been established, the rate so established, and (b) for any period prior to the maturity date or redemption date thereof, as the case may be, with respect to which the interest rate on such Variable Interest Rate Bonds shall not have been established, 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 State free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Indenture.

(4) Defeasance Securities described in clause (III) of subsection (2) of Section 1201 may be included in the Defeasance Securities deposited with the Trustee in order to satisfy the requirements of clause (b) of the second sentence of subsection (2) of 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 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 Section 1201 is made both (A) on the assumption that the Defeasance Securities described in clause (III) were not redeemed at the option of the issuer prior to the maturity date thereof and (B) 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 Section 1201, the Defeasance Securities described in clause (III) of subsection (2) of Section 1201 are included in the Defeasance Securities deposited with the Trustee in order to satisfy the requirements of clause (b) of the second sentence of subsection (2) of 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 Section 1201, shall at all times be sufficient to satisfy the requirements of clause (b) of subsection (2) of 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) Anything in the Indenture 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 (2) 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 (2) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the State, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority the Fiduciary shall, at the expense of the Authority, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30)

days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

1202. Conditions Precedent to Defeasance of Bonds. Prior to any defeasance of Bonds becoming effective under the Indenture the Trustee shall have received (a) a copy of certificate from a firm of certified public accountants or financial advisors of recognized standing in public finance transactions as to the sufficiency of the funds and investments described in Section 1201 and the timing of the receipt thereof by the Trustee to effect the defeasance, and (b) a copy of an Opinion of Counsel to the effect that the defeased Bonds have been paid within the meaning and with the effect expressed in the Indenture, and the covenants, agreements and other obligations of the Authority to the Holders of the defeased Bonds have been discharged and satisfied for purposes of the Indenture.

1203. Escheat Provision. Anything in the Indenture 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.

1204. Evidence of Signatures of Bondholders and Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument which the Indenture 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 (a) the execution of any such instrument, or of an instrument appointing any such attorney, or (b) the holding by any Person of the Bonds shall be sufficient for any purpose of the Indenture (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:

(1) The fact and date of the execution by any Bondholder or his, her or its 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, her or its authority.

(2) 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 depository 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 depository 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.

(b) 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.

(c) Any request or consent by the Holder of any Bond shall bind all future Holders of such Bond in respect of anything done or suffered to be done by the Authority or any Fiduciary in accordance therewith.

1205. Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the State, any Credit Issuer and any other Fiduciary, and any Bondholder and their agents and their representatives, any of whom may make copies thereof at their own expense.

1206. Parties Interested Herein. Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person other than Authority, the State, the Fiduciaries and the Holders of the Bonds and any Credit Issuers, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof; and all the covenants stipulations, promises and agreements in the Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the State, the Fiduciaries and the Holders of the Bonds.

1207. No Recourse on the Bonds. No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on the Indenture against any member or officer of the Authority or the State or any Person executing the Bonds or any Credit Facility.

1208. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in the Indenture 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 Indenture.

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 Indenture, 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 or otherwise shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in the Indenture, and no interest shall accrue for the period after such nominal date.

1210. Publication of Notice; Suspension of Publication.

(a) Any publication to be made under the provisions of the Indenture 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.

(b) 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 Indenture 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.

1211. 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.

1212. Notices to the State. Any notice required hereunder to be provided to the State shall be given in writing to an Authorized State Representative.

1213. Multiple Counterparts. This Indenture may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

ARTICLE XIII

BOND FORMS AND EFFECTIVE DATE

1301. Form of Bonds, Trustee's Certificate of Authentication. Subject to the provisions of the Indenture, the form of the Bonds of each Series and the Trustee's certificate of authentication thereon shall be substantially in the form attached hereto as Exhibit A with such variations, omissions and insertions as are required or permitted by the Indenture:

1302. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the Authority and the Trustee have caused these presents to be signed by their respective officers thereunto duly authorized and this Indenture to be dated as of the day and year first above written.

**NEW JERSEY ECONOMIC
DEVELOPMENT AUTHORITY**

By: _____
Name:
Title:

**THE BANK OF NEW YORK MELLON,
as Trustee**

By: _____,
Name:
Title:

[SIGNATURE PAGE TO INDENTURE]

EXHIBIT A

[FORM OF BOND]

[FORM OF FRONT SIDE OF FULLY REGISTERED BOND]

Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the issuer 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.

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

STATE LEASE REVENUE BONDS

**(OFFSHORE WIND PORT PROJECT), 2023 SERIES A (FEDERALLY TAXABLE)
(GREEN BONDS – CLIMATE BOND CERTIFIED)**

THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY OR ANY AGENCY OR INSTRUMENTALITY THEREOF (OTHER THAN THE

AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OF NEW JERSEY OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

No. R- Interest Rate	Maturity Date	Dated Date	CUSIP
----------------------------	------------------	---------------	-------

Registered Owner:

Principal Sum:

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY, (the "Authority"), a public body corporate and politic and an instrumentality of the State of New Jersey (the "State"), 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 principal corporate trust office of _____, located in _____, _____ (such bank and any successor 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 _____ 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 or draft 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 Payment Date on the books of the Authority maintained by the Bond Registrar.

Upon the written request of any Registered Owner of at least \$1,000,000 in aggregate Principal Amount of ____ Series ____ Bonds, as such term is hereinafter defined, received by the Trustee and the Paying Agent on or prior to one Business Day preceding any Record Date for the ____ Series ____ Bonds, payment of the principal of, premium, if any, and interest on such ____

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Series ___ Bonds shall be made by wire transfer of immediately available funds on such Payment Date to an account designated by such Registered Owner in such request.

As long as The Depository Trust Company, New York, New York or its nominee ("DTC") is the Registered Owner of the series of Bonds of which this Bond is one, payment of principal, premium, if any and interest on the Bonds made by the Trustee to DTC shall fully satisfy the aforesaid payment obligations on the Bonds to the extent of such payments by the Trustee, and no beneficial owner of any Bond shall have any recourse against the Authority or the Trustee for any failure by DTC or any direct or indirect participant therein to remit such payments to such beneficial owner.

This Bond is one of a duly authorized series of Bonds of the Authority designated "State Lease Revenue [Refunding] Bonds (Offshore Wind Port Project), ___ Series ___", in the aggregate Principal Amount at issuance of \$_____, issued under and in full compliance with the Constitution and Statutes of the State of New Jersey, and particularly the New Jersey Economic Development Authority Act, L. 1974, c. 80 as amended and supplemented (herein called the "Act"), and under and pursuant to a Resolution of the Authority adopted on December 21, 2022 (the "Authorizing Resolution"), a Trust Indenture, dated as of January __, 2023 (the "Trust Indenture") between the Authority and the Trustee and a First Supplemental Indenture, dated as of January __, 2023 (the "First Supplemental Indenture" and, together with the Trust Indenture, the "Indenture") pursuant to which _____, with its corporate trust office located in _____, is acting as trustee. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Indenture. The ___ Series ___ Bonds are issued for the purpose of financing all or a portion of the Costs of the Project and the Costs of Issuance of the ___ Series ___ Bonds.

[Simultaneously with the issuance of the ___ Series ___ Bonds, the Authority is issuing its State Lease Revenue [Refunding] Bonds (Offshore Wind Port Project), ___ Series ___ in the aggregate Principal Amount at issuance of \$_____ for the purpose of financing _____ and the Costs of Issuance of the ___ Series ___ Bonds.]

As provided in the Indenture, the ___ Series ___ Bonds, and all other Bonds issued under the Indenture on a parity with the Series Bonds (herein collectively called the "Bonds") are direct and 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 Indenture solely by the Pledged Property, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set

forth in the Indenture. Pledged Property under the Indenture includes (1) all funds, moneys and Investment Securities deposited in the Accounts within the Debt Service Fund and subaccounts within the Accounts within the Debt Service Fund, and (2) the Revenues, subject to the provisions of the Indenture permitting the application of the Pledged Property for the purposes and on the terms and conditions set forth in the Indenture. All of the Authority's right, title and interest in and to the foregoing are pledged for the payment of Bond Payment Obligations and Credit Facility Payment Obligations in accordance with the terms and provisions of the Indenture. Copies of the Indenture 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 the Indenture 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 Indenture and for the other terms and provisions thereof. All covenants, agreements and obligations of the Authority under the Indenture may be discharged and satisfied at or prior to the maturity or redemption of this Bond if moneys or certain specific securities shall have been deposited with the Trustee.

As provided in the Indenture, Bonds may be issued from time to time pursuant to Supplemental Indentures 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 Indenture provided. The aggregate Principal Amount of Bonds which may be issued under the Indenture is not limited, and all Bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in the Indenture.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture, or any resolution amendatory thereof or supplemental thereto, may be modified or amended by the Authority, with the written consent of (A)(i) the Holders of at least forty percent (40%) in Principal Amount of the Bonds Outstanding at the time such consent is given who are affected by the proposed modification or amendment, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least forty percent (40%) in Principal Amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified 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 the calculation of Outstanding Bonds, and (B) any Credit Issuer the consent of which is required by the applicable Credit Facility. If permitted by a Supplemental Indenture, a Credit Issuer of a Credit Facility securing a Series of Bonds shall have the right to consent to amendments on behalf 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 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.

This Bond is transferable, as provided in the Indenture, 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 in the same aggregate Principal Amounts, shall be issued to the transferee in exchange therefor as provided in the Indenture, 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 as follows:

[HERE INSERT APPLICABLE REDEMPTION PROVISIONS]

The ____ Series __ Bonds are payable upon redemption at the above mentioned offices of the Paying Agent. Notice of redemption, setting forth the place of payment, 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 Indenture relating to the Bonds] 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, all in the manner and upon the terms and conditions set forth in the Indenture. If notice of redemption shall have been mailed as aforesaid, the Bonds or portions thereof specified in said notice shall become due and payable on the

redemption date therein fixed, and if, on the redemption date, moneys for the redemption of all the Bonds and portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Bonds or portions thereof so called for redemption shall cease to accrue and be payable. Failure of the Registered Owner of any Bonds which are to be redeemed to receive any such notice shall not affect the validity of the proceedings for the redemption of Bonds.

THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY OR ANY AGENCY OR INSTRUMENTALITY THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OF NEW JERSEY OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

It is hereby certified and recited that all conditions, acts and things required by law and the Indenture 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 a part, 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 Indenture 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, the NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY,
has caused this ____ Series __ Bond to be executed in its name and on its behalf by the manual or
facsimile signature of its _____, as of the Dated Date hereof.

NEW JERSEY ECONOMIC
DEVELOPMENT AUTHORITY

By: _____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds delivered pursuant to the within mentioned Indenture.

By: _____
Authorized Signatory

Date of Authentication:

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints

attorney

to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

Signature Guaranteed:

NOTICE: The signature of this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

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EXHIBIT B

[FORM OF REQUISITION FROM PROJECT FUND]

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
STATE LEASE REVENUE BONDS
(OFFSHORE WIND PORT PROJECT), 2023 SERIES A
(FEDERALLY TAXABLE) (GREEN BONDS – CLIMATE BOND CERTIFIED)**

**PROJECT FUND REQUISITION
REQUISITION NO. _____**

To: _____, as Trustee

Date: _____

Ladies and Gentlemen:

On behalf of the New Jersey Economic Development Authority (the "Authority"), I hereby requisition pursuant to Section 503 of the Authority's State Lease Revenue Bond Trust Indenture (Offshore Wind Port Project) adopted on January __, 2022, as from time to time supplemented or amended (the "Trust Indenture") and pursuant to Section 3.2 of that certain Agreement and Lease (Offshore Wind Port Project) by and between the Authority and the State dated as of January __, 2023, with respect to the Offshore Wind Port Project financed in part with the proceeds of Bonds issued under the Indenture, the total sum of \$_____, to be paid as follows, as more fully set forth in the attached supplemental documentation:

<u>Name and Address of Payee:</u>	<u>Purpose of Obligation:</u>	<u>Amount to be Paid:</u>
-----------------------------------	-------------------------------	---------------------------

I hereby certify that:

- (a) such obligation has been incurred in connection with the Offshore Wind Port Project,
- (b) each item listed above is a Cost of the Offshore Wind Port Project and is a proper charge against the Project Fund, and
- (c) such obligation has not been the basis for a prior requisition which has been paid.

ONLY ONE SIGNATURE IS REQUIRED:

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

Date: _____

By: _____

Authorized Authority Representative

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APPENDIX III

FORM OF THE NJWP PROJECT LEASE AND NJWP PROJECT SUBLEASE

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AGREEMENT AND LEASE
(OFFSHORE WIND PORT PROJECT)

BETWEEN

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY,
as Lessor

and

THE TREASURER OF THE STATE OF NEW JERSEY,
ON BEHALF OF THE STATE OF NEW JERSEY,

as Lessee

Dated as of January __, 2023

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EXHIBIT A – Legal Description of Leased Premises

EXHIBIT B – Narrative Description of Project

THIS AGREEMENT AND LEASE (this “Agreement” or “Lease”) entered into as of the ___ day of January, 2023, by the NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY (the “Authority”), a public body corporate and politic organized and subsisting under the Act hereinafter mentioned, as Lessor (the “Lessor”), and the TREASURER OF THE STATE OF NEW JERSEY, on behalf of the STATE OF NEW JERSEY (the “State”), as Lessee (the “Lessee”).

BACKGROUND

Capitalized terms used and not otherwise defined in this Background shall have the meanings given such terms in Section 1.1 hereof or in the Trust Indenture (as hereinafter defined).

A. The Authority is a public body corporate and politic and an instrumentality of the State exercising public and essential governmental functions, organized, subsisting under and having the powers conferred by the Act, including, *inter alia*, the power to issue its obligations and the entering into contracts, including leases and development agreements, for: (1)(a) the acquisition, construction, reconstruction, repair, alteration, improvement and extension of any building, structure, facility, including water transmission facilities or other improvement, whether or not in existence or under construction, (b) purchase and installation of equipment and machinery, and (c) acquisition and improvement of real estate and the extension or provision of utilities, access roads and other appurtenant facilities; all of which are to be used or occupied by any person in any enterprise promoting employment, either for the manufacturing, processing or assembly of materials or products, or for research or office purposes, including, but not limited to, medical and other professional facilities, or for industrial, recreational, hotel or motel facilities, public utility and warehousing, or for commercial and service purposes, including, but not limited to, retail outlets, retail shopping centers, restaurant and retail food outlets, and any and all other employment promoting enterprises, including, but not limited to, motion picture and television studios and facilities and commercial fishing facilities, commercial facilities for recreational fishermen, fishing vessels, aquaculture facilities and marketing facilities for fish and fish products, and (d) acquisition of an equity interest in, including capital stock of, any corporation; or any combination of the above, which the authority determines will: (i) tend to maintain or provide gainful employment opportunities within and for the people of the State, or (ii) aid, assist and encourage the economic development or redevelopment of any political subdivision of the State, or (iii) maintain or increase the tax base of the State or of any political subdivision of the State, or (iv) maintain or diversify and expand employment promoting enterprises within the State; (2) the cost of acquisition, construction, reconstruction, repair, alteration, improvement and extension of an energy saving improvement or pollution control project which the authority determines will tend to reduce the consumption in a building devoted to industrial or commercial purposes, or in an office building, of nonrenewable sources of energy or to reduce, abate or prevent environmental pollution within the State; and (3) [the establishment, acquisition, construction, rehabilitation, improvement, and ownership of port facilities as defined in section 3 of P.L.1997, c.150 (C.34:1B-146)].

B. Executive Order No. 8 (Murphy 2018) committed the State to immediately pursue an initial 1,100 megawatts of offshore wind power and a total of 3,500 megawatts of offshore wind power by 2030, Executive Order No. 92 (Murphy 2019), increased this power generation target to 7,500 megawatts by 2035, and Executive Order No. 307 (Murphy 2022) increased this power generation target to 11,000 megawatts by 2040.

C. On behalf of the State, the Authority is leading the development of the New Jersey Wind Port, constituting a new purpose-built offshore wind marshalling and manufacturing port at Lower Alloways Creek, Salem County, New Jersey (the “Project”); a first-of-its kind asset in the United States and centerpiece of the State’s broader offshore wind development agenda.

D. Pursuant to a Ground Lease Agreement, dated September 14, 2021 (the “Ground Lease”), among PSEG Nuclear LLC, a New Jersey limited liability company, as Landlord (“Ground Lessor”), the Authority, as Tenant, and PSEG Nuclear LLC, in its own capacity, as amended and supplemented, the Ground Lessor has leased and shall lease to the Authority approximately half of the premises upon which the Project will be constructed, all as provided in and subject to the terms and conditions of the Ground Lease;

E. It has been determined that a portion of the Costs of the Project shall be financed through Lease/Sublease arrangements between the State and the Authority and the issuance and sale by the Authority of the 2023 Series A Bonds, which shall be issued pursuant to the Act and the Indenture, as the same may be amended and supplemented in accordance with the terms hereof. The debt service on the Bonds shall be paid by the Authority from the Basic Rent payable to the Authority by the State under this Lease, subject to appropriation from time to time by the State Legislature.

F. By Resolution adopted by the Authority on December 21, 2022, the Authority has authorized (i) the issuance of not exceeding \$160,000,000 State Lease Revenue Bonds (Offshore Wind Port Project), 2023 Series A (Federally Taxable) (Green Bonds – Climate Bond Certified), (ii) the execution and delivery of this Lease, the Sublease, the Trust Indenture, the First Supplemental Indenture and other documents, and (iii) other matters in connection with the foregoing for the purpose of financing all or a portion of the Costs of the Project and Costs of Issuance of the 2023 Series A Bonds (as hereinafter defined).

G. Pursuant to the terms of the Act and the Indenture, as the same may be amended and supplemented in accordance with the terms hereof, the Authority shall initially issue the Bonds in an aggregate principal amount sufficient to pay a portion of the Costs of the Project and the Costs of Issuance of such Bonds.

H. The Authority shall assign all of its rights to receive Basic Rent payable under this Lease to the Trustee.

I. In connection with the issuance of the 2023 Series A Bonds for the Project, the State will sublease the Leased Premises to the Authority pursuant to the State Sublease.

The parties desire hereby to set forth the terms and conditions on which the leasing of the Leased Premises by the State to the Authority shall be effected.

NOW, THEREFORE, the parties hereto, in consideration of the premises and covenants herein set forth, and for other good and valuable consideration, receipt of which is hereby acknowledged, each intending to be legally bound, HEREBY AGREE AS FOLLOWS:

ARTICLE I DEFINITIONS AND GENERAL PROVISIONS

SECTION 1.1. Definitions. Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Indenture. In addition, the terms set forth in this section shall have the meanings ascribed to them for all purposes of this Agreement unless the context clearly indicates some other meaning. Words in the singular shall include the plural and words in the plural shall include the singular where the context so requires.

“Act” shall mean the New Jersey Economic Development Authority Act, L. 1974, c. 80, as heretofore or hereafter from time to time amended and supplemented.

“Additional Rent” shall mean the rental payments specified in Section 4.1(c) hereof.

“Administrative Expenses” shall mean Administrative Expenses – Bonds and Administrative Expenses – Ground Lease, individually or collectively, as the context may require.

“Administrative Expenses - Bonds” shall mean, from and after the Closing Date, (A) the fees and expenses of the Trustee, including any amounts due and required to be paid to the Trustee pursuant to the reimbursement provisions of the Indenture, any paying agents or tender agents, any other fiduciaries acting under the Indenture and the initial and annual fees of the Rating Agencies with respect to the Bonds, and (B) the fees and expenses of any rebate consultant engaged in connection with the Bonds issued with respect to the Project as provided in Section 4.1(d) of this Agreement.

“Administrative Expenses – Ground Lease” shall mean, from and after the Closing Date, the fees and expenses of the GLR Paying Agent, including any amounts due and required to be paid to the GLR Paying Agent pursuant to the reimbursement provisions of the GLR Paying Agent Agreement.

“Administrative Expenses-Initial” shall mean Administrative Expenses which are paid or to be paid from the proceeds of the sale of a Series of Bonds.

“Aggregate Obligations” shall mean, for any period with respect to any one or more Series of Bonds, the sum of (i) the Authority’s Bond Payment Obligations due and owing for such period with respect to such Series of Bonds, and (ii) the Authority’s Credit Facility Payment Obligations due and owing for such period in connection with any Credit Facility securing all or a portion of such Series of Bonds.

“Agreement” or “Lease” shall mean this Agreement and Lease dated January __, 2023, between the Authority, as Lessor, and the State, as Lessee, and any and all modifications, alterations, amendments and supplements hereto made in accordance with the provisions hereof and of the Indenture.

“Authority” shall mean the New Jersey Economic Development Authority, a public body corporate and politic constituting an instrumentality of the State, created and existing under and by virtue of the Act, exercising governmental functions and any body, board, authority, agency or political subdivision or other instrumentality of the State which shall hereafter succeed to the powers, duties and functions thereof.

“Authority Leased Premises” shall mean the real property owned by the Authority which shall form a part of the Leased Premises, as more particularly described in the Lease.

“Authorized Authority Representative” shall mean the Chairman, Vice Chairman, Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, Vice President, Managing Director, Director, or any other authorized Authority representative who shall have power to execute contracts pursuant to the bylaws or a resolution adopted by the Authority.

“Authorized State Representative” shall mean the State Treasurer, the Deputy State Treasurer or the Director of the Office of Public Finance in the Department of the Treasury.

“Authorizing Resolution” shall mean the Resolution adopted by the Authority on December 21, 2022, authorizing (i) the issuance of the 2023 Series A Bonds, (ii) the execution and delivery of, among other things, this Lease, the Sublease, the Trust Indenture and the First Supplemental Indenture and (iii) other matters in connection with the foregoing for the purpose of financing all or a portion of the Costs of the Project and Costs of Issuance of the 2023 Series A Bonds.

“Basic Rent” shall mean the rental payments specified in Section 4.1(a) hereof.

“Bond or Bonds” shall mean any bond or bonds, or note or notes, as the case may be, authenticated and delivered under and pursuant to the Indenture, including the 2023 Series A Bonds, any additional New Money Bonds and any Refunding Bonds.

“Bond Counsel” shall mean any attorney or firm of attorneys nationally recognized in the field of municipal finance and satisfactory to the State Treasurer and the Authority.

“Bond Payment Obligations” shall mean the Authority’s obligation to pay the Principal Installment or Redemption Price of and interest on the Bonds or the purchase price of Bonds tendered for purchase or otherwise purchased by the Authority or the Trustee, at the written direction of the Authority, including Bonds held by a Credit Issuer.

“Closing Date” shall have the meaning given to such term in Section 2.2 hereof.

“Code” shall mean the Internal Revenue Code of 1986, as amended and supplemented, and the regulations, revenue rulings and procedures issued or made applicable to Tax-Exempt Bonds or the proceeds thereof from time to time.

“Cost”, “Costs”, “Cost of the Project” or “Costs of the Project” shall mean cost as defined in or otherwise permitted under the Act.

“Credit Facility” shall mean any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement, satisfactory to the Authority, that is provided by a commercial bank, insurance company or other entity, with a current long term rating (or whose obligations thereunder are guaranteed by an entity with a long term rating) from Moody’s Investors Service, Inc. and S&P Global Ratings, a division of Standard & Poor’s Financial Services, LLC, not lower than the credit rating of the Series of Bonds to be secured by such Credit Facility, to further secure or provide liquidity for the payment of the Principal Amount and interest for a Series of Bonds.

“Credit Facility Payment Obligations” shall mean all payment and reimbursement obligations of the Authority to a Credit Issuer or any other Person pursuant to or in connection with any Credit Facility securing all or a portion of a Series of Bonds.

“Credit Issuer” shall mean the issuer of a Credit Facility.

“Debt Service Fund” shall mean the fund so designated and created pursuant to the Indenture.

“Department of the Treasury” shall mean the Department of the Treasury of the State of New Jersey.

“Early Termination Option” shall have the meaning given such term in Section 8.2 hereof.

“Early Termination Price” shall mean the amount required to pay, redeem and defease in whole the Outstanding Bonds pursuant to Section 1201 of the Indenture, including, but not limited to, an amount equal to the principal and redemption premium, if any, of, and interest accrued and to accrue on, the Outstanding Bonds to the date of their maturity or earlier redemption.

“Event of Non-Appropriation” shall mean an Event of Non-Appropriation described in Section 7.5 of this Agreement.

“Expiration Date” shall have the meaning given to such term in Section 2.2 hereof.

“First Supplemental Indenture” shall mean the First Supplemental Trust Indenture relating to State Lease Revenue Bonds (Offshore Wind Port Project), dated as of January __, 2023, executed and delivered pursuant to the Trust Indenture in connection with the issuance of the 2023 Series A Bonds, which, upon such execution and delivery, shall be deemed to be a part of the Trust Indenture.

“Fiscal Year” shall mean (i) with respect to the State, each twelve (12) month period beginning July 1 and ending on June 30, or such other twelve (12) month period constituting the Fiscal Year of the State and (ii) with respect to the Authority, each twelve (12) month period beginning January 1 and ending on December 31, or such other twelve (12) month period constituting the Fiscal Year of the Authority.

“GLR Paying Agent” means The Bank of New York Mellon, in its capacity as GLR Paying Agent under the GLR Paying Agent Agreement.

“GLR Paying Agent Agreement” means the Ground Lease Rent Paying Agent Agreement, dated as of the date of issuance and delivery of the 2023 Series A Bonds, among the Authority, the State and the GLR Paying Agent.

“Ground Lease” shall mean the Ground Lease Agreement, dated September 14, 2021, among the Ground Lessor, as Landlord, the Authority, as Tenant, and PSEG Nuclear LLC, in its own capacity, as amended and supplemented.

“Ground Lease Rent” shall have the meaning given to the term “Rent” under the Ground Lease.

“Ground Lease Rent Account” shall mean the account so designated and established pursuant to Section 3.01 of the GLR Paying Agent Agreement.

“Ground Lease Rent Payment Date” shall mean each date upon which Ground Lease Rent is due and payable pursuant to the Ground Lease.

“Ground Lessor” shall mean PSEG Nuclear LLC, in its capacity as landlord under the Ground Lease.

“Ground Leased Premises” shall mean the leased premises as such term is defined in the Ground Lease and as more particularly described on Exhibit A.

“Improvements” shall mean all buildings, structures, parking facilities and other improvements, including all site improvements, now existing (whether to remain or to be removed or demolished in connection with the completion of the Project) or hereafter acquired, investigated, remediated, constructed, rehabilitated, renovated, repaired, installed, or removed, as applicable, on the Leased Premises, as part of the Project.

“Indenture” shall mean the Trust Indenture relating to State Lease Revenue Bonds (Offshore Wind Port Project), dated as of January __, 2023, by and between the Authority and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms thereof.

“Leased Premises” shall mean (i) all of the Authority’s leasehold interest in the Ground Leased Premises, subject to terms and provisions of the Ground Lease, and (ii) the Authority Leased Premises, all as more particularly described in Exhibit A hereto.

“Lease Term” or “Term” shall mean the duration of the leasehold estate created by this Agreement as specified in Section 2.2 hereof.

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

- (i) Bonds canceled 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 Indenture 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 provision satisfactory to the Trustee shall have been made for the giving of such notice as provided in Article IV of the Trust Indenture;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to applicable provisions of the Indenture; and
- (iv) Bonds deemed to have been paid as provided in Section 1201 of the Trust Indenture.

“Payment Date” shall mean a date on which payment of any Aggregate Obligations shall be due and payable.

“Permitted Encumbrances” shall have the meaning given to such term in Section 6.02 of the Sublease.

“Principal Amount” of a Bond shall mean the stated principal amount of such Bond at maturity.

“Principal Installment” shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (a) the Principal Amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, or (c) if such future dates coincide as to different Bonds of such Series, the sum of such Principal Amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date.

“Project” shall mean the New Jersey Wind Port, constituting a new purpose-built offshore wind marshalling and manufacturing port at Lower Alloways Creek, Salem County, New Jersey.

“Project Facilities” shall mean and include the Project Site and all Improvements comprising the Project.

“Project Fund” shall mean the fund so designated and established pursuant to the Indenture.

“Project Site” shall mean the land described by metes and bounds on Exhibit A hereto.

“Rating Agencies” shall mean, collectively, Moody’s Investors Service, Inc., and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, if such Rating Agencies are then providing a rating on the Bonds.

“Rebate Expert” shall mean a firm of investment bankers, financial consultants, attorneys or accountants that is experienced in the calculation of amounts required to be rebated to the United States under Section 148(f) of the Code.

“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 and the Indenture.

“Refunding Bonds” shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 203 of the Trust Indenture,

and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 406 or Section 1106 of the Trust Indenture.

“Rentals” shall mean the sum of Basic Rent and Additional Rent as described in Section 4.1 hereof.

“Series” shall mean all of the Bonds authenticated and delivered on original issuance and identified pursuant to a Supplemental Indenture 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 the Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

“Sinking Fund Installment” shall mean with respect to a Series an amount so designated which is established pursuant to the applicable Supplemental Indenture.

“State” shall mean the State of New Jersey.

“State Legislature” shall mean the New Jersey State Legislature.

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

“Sublease” shall mean the Lease dated January __, 2023, by and between the State, as sublessor, and the Authority, as sublessee, with respect to the Leased Premises.

“Supplemental Indenture” shall mean any Supplemental Indenture authorized pursuant to Article X of the Trust Indenture.

“Tax Certificate” shall mean, with respect to the any Series of Bonds which are issued as Tax-Exempt Bonds, if any, a certificate to be executed by the Authority and the State simultaneously with the issuance of such Bonds in form and substance satisfactory to Bond Counsel.

“Tax-Exempt Bonds” shall mean Bonds the interest on which is not includable in the gross income of the holders thereof for Federal income tax purposes.

“Tenant Event of Default” shall have the meaning given to such term in the Ground Lease.

“Trustee” shall mean the trustee appointed pursuant to the Indenture, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

“Trust Indenture” shall mean the Trust Indenture relating to State Lease Revenue Bonds (Offshore Wind Port Project), dated as of January __, 2023, by and between the Authority and the Trustee.

“2023 Series A Bonds” shall mean Bonds authenticated and delivered on original issuance under and pursuant to Section 202 of the Trust Indenture for the purpose of (1) paying a portion of the Costs of the Project, and (2) funding the initial deposit to the Rent Reserve Account.

“2023 Supplemental Indenture” shall mean the Supplemental Indenture to be executed and delivered pursuant to the Indenture in connection with the issuance of the 2023 Series A Bonds, which, upon such execution and delivery, shall be deemed to be a part of the Indenture.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. The word “person” or “persons” shall include firms, corporations, associations, natural persons and public bodies unless the context shall otherwise indicate, and the singular and plural forms of words shall be deemed interchangeable whenever appropriate. Reference to a person other than a natural person shall include its successors.

SECTION 1.2. Incorporation of Recitals. The recitals in the Background section of this Agreement are incorporated herein by reference as if set forth in full herein and shall be binding on the parties to this Agreement.

ARTICLE II LEASE OF LEASED PREMISES; TERM OF LEASE

SECTION 2.1. Lease of Leased Premises.

(a) The Authority hereby leases to the State, and the State hereby takes and leases from the Authority, (i) all of the Authority’s leasehold interest in the Ground Leased Premises, subject to the provisions of the Ground Lease, and (ii) the Authority Leased Premises. The State hereby agrees to pay rent as provided in Article IV of this Lease.

(b) The Authority shall deliver to the State possession, use and occupancy of each Parcel (as such term is defined in the Ground Lease) within the Ground Leased Premises on the Commencement Date (as such term is defined in the Ground Lease) of such Parcel pursuant to the Ground Lease except and subject to (i) Permitted Encumbrances, and (ii) the rights and reservations of the Ground Lessor pursuant to the Ground Lease, and thereupon, such Parcel shall become part of the Ground Leased Premises.

SECTION 2.2. Term of Lease. This Agreement shall commence on the date of issuance and delivery of the 2023 Series A Bonds by the Authority (the “Closing Date”), and this Agreement shall terminate, except for contingent reimbursement obligations of the Authority to the State under Section 4.3 hereof for claims not settled or reduced to judgment, upon the later to occur of (a) payment by the State of all obligations owed by the State pursuant to this Agreement, and (b) the date as of which all Bonds, including additional Bonds and Refunding Bonds and all Credit Facility Payment Obligations with respect thereto, are paid or deemed paid pursuant to the Trust Indenture, subject to any and all other termination provisions contained herein (the “Expiration Date”). The Term of this Agreement (also referred to as the Lease Term or the Term) is the period from and including the Closing Date to and including the Expiration Date. Upon the Expiration Date, the leasehold estate created herein shall terminate and the State shall not have any rights or interests in or to the Project Facilities. Upon the termination of this Agreement, at the Authority’s request, an Authorized State Representative shall execute and deliver such legal instruments as may be necessary or advisable to evidence the termination thereof, provided, however, that the Authority shall bear all costs and expenses in connection with the preparation, delivery and, if applicable, recording or filing, of such instruments, subject to Section 4.4(b) hereof.

SECTION 2.3. Surrender of Leased Premises. The State agrees that upon the termination of this Lease it will surrender the Leased Premises to the Authority free and clear of all liens and encumbrances, except for Permitted Encumbrances.

SECTION 2.4. Lease and Sublease Create Independent Estates.

It is specifically agreed by the State and the Authority that:

(a) The leasehold interest herein granted by the Authority to the State shall be independent of the Sublease;

(b) The Sublease shall not be an assignment or surrender of the leasehold interest herein granted to the State;

(c) The Sublease shall not operate as a merger or extinguishment of the leasehold interest herein granted to the State; and

(d) This Lease and the Sublease shall not constitute “washout” or “mutual” leases.

ARTICLE III

ISSUANCE OF BONDS; ADDITIONAL BONDS; PROJECT FUND

SECTION 3.1. Issuance of Bonds.

The Authority will use its best efforts, subject to prevailing market conditions and other circumstances beyond its reasonable control, to issue, sell and deliver Bonds in order to provide funds for payment of the Costs of the Project. The proceeds of the Bonds shall be applied as provided in the Indenture.

SECTION 3.2. Additional Bonds.

The Authority, subject to the written consent of the State Treasurer and subject to the approval of the Authority's Board Members in their sole discretion, may issue additional New Money Bonds or Refunding Bonds for the purposes set forth in the Trust Indenture.

SECTION 3.3 Project Fund.

The Authority has in the Trust Indenture authorized and directed the Trustee to make payments from the applicable subaccount within the Project Fund to pay Costs of the Project upon receipt of one or more signed Requisitions substantially in the form attached to the Trust Indenture as Exhibit B.

ARTICLE IV RENTALS AND OTHER PAYMENTS

SECTION 4.1. Payment of Rentals

(a) Basic Rent. Subject to Section 4.4(b) hereof, on or before each Payment Date, the State shall pay to the Trustee, as assignee of the Authority, as Basic Rent, a sum that, together with the balance, if any, on deposit in the Debt Service Fund and available therefor, is sufficient to pay the Aggregate Obligations with respect to the Bonds issued pursuant to the Trust Indenture that are due on such Payment Date.

(b) Ground Lease Rent. Subject to Section 4.4(b) hereof, on or before each Ground Lease Rent Payment Date, the State shall pay to the GLR Paying Agent, for deposit to the Ground Lease Rent Account, for the account of the Authority, as Ground Lease Rent, a sum that, together with the balance, if any, on deposit in the Ground Lease Rent Account and available therefor, is sufficient to pay the Ground Lease Rent that is due on such Ground Lease Payment Date. Payment by the State of Ground Lease Rent shall be made in accordance with the procedures set forth in Section 3.01 of the GLR Paying Agent Agreement.

(c) Additional Rent.

(i) Subject to Section 4.4(b) hereof and Section 503 of the Trust Indenture, the State shall pay to the Trustee, as assignee of the Authority, for the Authority or any other persons entitled thereto, as Additional Rent for the Project, Administrative Expenses – Bonds

(other than Administrative Expenses-Initial, which shall be paid from the proceeds of the sale of the Bonds) within ninety (90) calendar days of the receipt by an Authorized State Representative of vouchers and invoices detailing the nature thereof.

(ii) Subject to Section 4.4(b) hereof and Section 2.02 of the GLR Paying Agent Agreement, the State shall pay to the GLR Paying Agent, as assignee of the Authority, Administrative Expenses – Ground Lease (other than Administrative Expenses-Initial, which shall be paid from the proceeds of the sale of the Bonds) within ninety (90) calendar days of the receipt by an Authorized State Representative of vouchers and invoices, in satisfactory form, detailing the nature thereof.

(d) Rebate Requirement. In the event that the Authority issues Tax-Exempt Bonds, the Authority shall engage a Rebate Expert to periodically calculate the amount, if any, required to be rebated to the United States under Section 148(f) of the Code with respect to such Tax-Exempt Bonds (the “Rebate Amount”), in accordance with the requirements of the arbitrage and tax compliance or similar certificates to be delivered by the Authority in connection with the issuance of each Tax-Exempt Bonds or as otherwise advised in writing by Bond Counsel, and the State shall periodically pay to the Authority, as Additional Rent, an amount that is sufficient, together with other amounts then on deposit in the Rebate Fund established under the Trust Indenture, to pay the Rebate Amount as and when due. The Trustee shall deposit the amounts paid pursuant to this paragraph in the Rebate Fund established under the Trust Indenture and shall apply such amounts to make payments to the United States pursuant to Section 148 of the Code.

SECTION 4.2. Prepayment of Basic Rent

The State shall have the option to make from time to time prepayments in whole or in part of Basic Rent, together with interest accrued and to accrue and redemption premium, if any, to be paid on any Bonds, for the purchase or redemption of which such prepayment is to be applied. The Trustee shall apply such prepayments in such manner consistent with the provisions of the Trust Indenture as may be specified in writing by an Authorized State Representative at the time of making such prepayment.

SECTION 4.3. Reimbursement.

(a) Both during the Lease Term and thereafter for claims arising during the Lease Term, the Authority shall reimburse the State for and the Authority shall pay any and all liability (including, without limitation, environmental liabilities of every kind and nature), loss, cost, damage, claims, judgment or expense, including reasonable attorneys' fees and expenses, which the State may sustain, be subject to or incur by reason of any claim, suit or action arising out of the actions of the Authority, its officers, employees or officials with respect to the Project Facilities,

but subject to the provisions of the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq. and the New Jersey Tort Claims Act, N.J.S.A. 59:1-1 et seq.

(b) Both during the Lease Term and thereafter for claims arising during the Lease Term, the Authority shall reimburse the State for and the Authority shall pay any and all liability, loss, cost, damage, claims, judgment or expense, including reasonable attorneys' fees, of any and all kinds or nature and however arising, imposed by law, which the State may sustain, be subject to or incur by reason of any claim, suit or action based upon personal injury, death, or damage to property, whether real, personal or mixed arising out of the negligence of the Authority, its officers, employees or officials with respect to the Project Facilities, but subject to the provisions of the New Jersey Tort Claims Act (N.J.S.A. 59:1-1 et seq.) including but not limited to N.J.S.A. 59:2-10; provided, however, that the State will not be reimbursed for its own negligence or willful misconduct.

(c) The State agrees as follows:

(i) The State shall give the Authorized Authority Representative prompt notice in writing of the filing of each such claim or any potential claim and the institution of each such suit or action once it has been properly served on the State.

(ii) The State shall not adjust, settle or compromise any such claim, suit or action without the approval of the Authority.

(iii) The State shall permit the Authority, if the Authority so chooses, to assume full control of the adjustment, settlement, compromise or defense of each such claim, suit or action; provided that that the State must approve, in writing, any settlement of an alleged claim.

(iv) The State shall not incur any cost for attorneys' fees, experts' testimony costs or any costs to defend the State or any of its members, officers, agents, servants, or employees unless such cost shall have been approved by an Authorized Authority Representative. This provision shall not be deemed to relieve any insurance company which has issued a policy of insurance as may be provided for in this Agreement from its obligation to defend the Authority, the State and any other insured named in such policy of insurance in connection with claims, suits or actions covered by such policy.

SECTION 4.4. Nature of Obligations of the State.

(a) Except as provided in this Section 4.4(b), the obligation of the State to pay Rentals and to pay all other amounts provided for in this Agreement and to perform its obligations under this Agreement shall be absolute and unconditional, and such Rentals and other amounts shall be payable without any rights of set-off, recoupment or counterclaim it might have against the Authority, the Trustee or any other person; provided, however, that the State's covenants pursuant

to this Section 4.4(a) that its obligations under this Agreement are absolute and unconditional, and pursuant to Section 4.4(c) that it shall not terminate this Agreement or be excused from performing its obligations hereunder for any cause, shall not limit the State's rights to pursue any other remedy it might have against the Authority at law or in equity.

(b) Notwithstanding anything in this Agreement or the Trust Indenture to the contrary, the cost and expense of the performance by the State of its obligations under this Agreement and the incurring of any liabilities of the State under this Agreement, including, without limitation, the payment of all Rentals and the payment of all other amounts required to be paid by the State under this Agreement, shall be subject to and dependent upon appropriations being made from time to time by the State Legislature for such purpose. The State Legislature has no obligation to make such appropriations. The obligation of the State to pay amounts provided for in this Agreement shall not constitute a debt or liability of the State within the meaning of any Constitutional or statutory provisions or a pledge of the faith and credit of the State.

(c) The State will not terminate this Agreement (other than such termination as is provided for hereunder) or be excused from performing its obligations hereunder for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute an eviction or constructive eviction, failure of consideration, failure of title, or frustration of purpose, or any damage to or destruction of the Project Facilities, or the taking by eminent domain of title to or the right of temporary use of all or any part of the Project Facilities, or the failure of the Authority to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or connected with this Agreement.

SECTION 4.5. Nature of Obligations of the Authority. Except as provided in Section 4.3, the cost and expense of the performance by the Authority of any of its obligations under this Agreement shall be limited to the availability of the proceeds of Bonds of the Authority issued for such purposes or from other funds received by the Authority to finance the Project and available for such purposes.

SECTION 4.6. Net Lease. This Agreement is a "net lease", the intention of the parties being that this Agreement shall yield to the Authority the net annual Rentals specified herein during the Lease Term and that all costs, expenses and obligations of every kind and nature of the State arising out of this Agreement, if any, shall be paid by the State.

SECTION 4.7. Assignment of Payments by the Authority.

(a) It is understood that all payments by the State to the Authority under Section 4.1(a) of this Agreement are to be assigned by the Authority to the Trustee pursuant to the Trust Indenture. The Authority agrees to notify the State by the execution of an appropriate instrument making such assignment to the Trustee, and the State agrees upon receipt of such notification,

to pay to the Trustee at the trust office indicated in Section 901 of the Trust Indenture all payments payable by State to the Authority pursuant to this Section 4.1(a) of this Agreement.

(b) Except as provided in this Section 4.7, the Authority shall not assign this Agreement or any payments under this Agreement.

ARTICLE V THE GROUND LEASE; DAMAGE, DESTRUCTION OR CONDEMNATION OF AUTHORITY LEASE PREMISES.

SECTION 5.1. The Ground Lease. The Authority has provided the State with a copy, certified or otherwise identified to its satisfaction, of the Ground Lease. The State shall, upon the request and at the expense of the Authority, execute and deliver a Subordination and Non-Disturbance Agreement upon terms acceptable to the State. Without limitation of the immediately preceding sentence, the State acknowledges that the provisions of the Ground Lease shall govern the construction, operation and maintenance; utilities and taxes; additions and enlargements; capital asset repair and replacement; insurance; damage or destruction; and condemnation relating to the Ground Leased Premises.

SECTION 5.2. Damage, Destruction or Condemnation of Authority Leased Premises. In the event of any damage, destruction, condemnation or similar event with respect to all or a portion of the Authority Leased Premises, the Net Proceeds therefrom shall be deposited in the applicable Subaccount within the Net Proceeds Account within the Project Fund and applied as determined by the Authority, with the written consent of the State Treasurer.

ARTICLE VI SPECIAL COVENANTS

SECTION 6.1. Quiet Enjoyment. Subject to the terms of the Sublease, the Authority hereby covenants to provide the State during the term of this Lease with quiet use and enjoyment of the Leased Premises, subject to the Sublease, and the State during such term shall have, shall hold and shall enjoy the Leased Premises peaceably and quietly, without interference from the Authority, except as otherwise provided in the Sublease.

SECTION 6.2. Compliance with Laws and Regulations. The parties to this Lease agree to comply with all laws of the State applicable to the performance of this Lease and all future acts supplemental thereto or amendatory thereof.

SECTION 6.3. Assignment by the State. The State will not sell, assign or otherwise dispose of or encumber this Lease.

SECTION 6.4. Representation Not to Affect the Tax-Exempt Status of Tax-Exempt Bonds. The State and the Authority represent and agree, to the extent permitted by law, not to take any action or fail to take any action the result of which action or inaction would cause the interest on any Bonds issued as Tax-Exempt Bonds, if any, to lose the exclusion from gross income under Code Section 103 or cause interest on any Bonds issued as Tax-Exempt Bonds to be treated as an item of tax preference under Code Section 57.

ARTICLE VII EVENTS OF DEFAULT AND REMEDIES

SECTION 7.1 Events of Default.

(a) An "Event of Default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(i) Failure by the State to pay or cause to be paid when due the payments of Basic Rent to be made under Section 4.1(a) hereof or the payments of Ground Lease Rent under Section 4.1(b), except if such failure is caused by an Event of Non-Appropriation as described in Section 7.5 hereof;

(ii) Failure by the State to pay or cause to be paid when due any payment to be made under this Agreement, other than payments of Basic Rent under Section 4.1(a) hereof and Ground Lease Rent under Section 4.1(b) hereof, which failure shall continue for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the State by the Authority or the Trustee (to the extent the Trustee has received written notice from the Authority of such failure), except if such failure is caused by an Event of Non-Appropriation as described in Section 7.5 hereof; or

(iii) Failure by the State to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement, other than as referred to in subsections (i) and (ii) of this Section 7.1, which failure shall continue for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the State by the Authority or the Trustee (to the extent the Trustee has received written notice from the Authority of such failure), unless the Authority shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if

corrective action is instituted by the State within the applicable period and diligently pursued until the default is remedied.

SECTION 7.2. Remedies.

(a) Except as provided in Section 7.5, whenever any Event of Default referred to in Section 7.1 hereof shall have happened and be subsisting, and provided that written notice of the Event of Default has been given to the State by the Authority or by the Trustee and the Event of Default has not been cured, the Authority shall have the right to take any and all actions available to it at law or in equity to collect the payments then due under this Agreement and thereafter to become due under this Agreement, including the right to seek a judgment and to enforce performance and observance of any obligation, agreement or covenant of the State under this Agreement, provided that the State's obligation to make any payments under this Agreement shall be construed to be executory in nature only to the extent of moneys actually appropriated by the State Legislature for such purpose. In addition, nothing contained in this Agreement shall be deemed to preclude the Ground Lessor from exercising any of its rights and remedies under the Ground Lease upon the occurrence of a Tenant Event of Default.

(b) [Any amounts collected pursuant to action taken under this Section 7.2 shall be applied, first, to the payment of the principal of and interest on the Bonds then Outstanding and to the payment of Ground Lease Rent in accordance with the provisions of the Ground Lease, *pari passu* and on a parity basis, second, to the payment of any and all other amounts then due or thereafter to become due under this Agreement, and third, all funds remaining shall be paid to the State.]

SECTION 7.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

SECTION 7.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 7.5. Event of Non-Appropriation.

(a) An Event of Non-Appropriation with respect to the Bonds shall be deemed to have occurred under this Agreement if:

(i) in the case of the State's obligation to pay Basic Rent and Ground Lease Rent, the State Legislature shall fail to appropriate funds to the Lease in the Annual Appropriations Act for such Fiscal Year (including without limitation, the reduction or cancellation of an appropriation pursuant to an amendment to the Annual Appropriations Act for such Fiscal Year) in an amount sufficient to pay when due Basic Rent and Ground Lease Rent coming due in such Fiscal Year; and

(ii) in the case of the State's obligation to pay Additional Rent or the State's obligations to make payments to the Authority under Section 4.3 of this Agreement, the State Legislature shall fail to appropriate funds to the Project in the Annual Appropriations Act for such Fiscal Year (including without limitation, the reduction or cancellation of an appropriation pursuant to an amendment to the Annual Appropriations Act for such Fiscal Year) in an amount sufficient to pay when due Additional Rent coming due in such Fiscal Year or to make payments to the Authority under Section 4.3 of this Agreement in such Fiscal Year.

(b) An Event of Non-Appropriation shall not be deemed to have occurred so long as an Event of Default has occurred and is continuing under Section 7.1(a)(i) or (ii) hereof.

NOTWITHSTANDING ANYTHING CONTAINED IN SECTION 7.5 HEREOF TO THE CONTRARY, A FAILURE BY THE STATE TO PAY WHEN DUE ANY BASIC RENT, GROUND LEASE RENT, ADDITIONAL RENT OR OBLIGATIONS DUE UNDER SECTION 4.3 HEREOF REQUIRED TO BE MADE UNDER THIS AGREEMENT OR A FAILURE BY THE STATE TO OBSERVE AND PERFORM ANY COVENANT, CONDITION OR AGREEMENT ON ITS PART TO BE OBSERVED OR PERFORMED UNDER THIS AGREEMENT, RESULTING FROM THE OCCURRENCE OF AN EVENT OF NON-APPROPRIATION SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER SECTION 7.1 HEREOF.

(c) A failure by the Authority to pay when due any Aggregate Obligations required to be made under the Trust Indenture or the Bonds, or to pay when due any Ground Lease Rent under the Ground Lease and the GLR Paying Agent Agreement, 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 Trust Indenture, the Bonds, the Ground Lease or the GLR Paying Agent Agreement, resulting from the occurrence of an Event of Non-Appropriation, shall not constitute an event of default under the Trust Indenture or this Agreement.

(d) Upon the occurrence of an Event of Non-Appropriation under this Agreement, the Trustee, on behalf of the Holders of the Bonds, and the Ground Lessor shall have no remedies. The Trustee may not seek to terminate this Agreement and has no rights to the Project Facilities. The State and has no obligation to pay any Rentals, Ground Lease Rent or other amounts under this Agreement with respect to which an Event of Non-Appropriation has occurred. However, this

Agreement will not terminate, and the State will remain obligated to pay such Rentals, Ground Lease Rent, all future Rentals, and all other amounts required to be paid under this Agreement, from appropriations to the Lease.

(e) From and after the occurrence of an Event of Non-Appropriation, and provided that there shall not have occurred and then be continuing an Event of Default under the Trust Indenture, (i) all applicable Rentals received by the Trustee pursuant to Section 4.1(a) and Section 4.1(c)(i) shall be applied as provided in Section 806 of the Trust Indenture; and (ii) all applicable Rentals received by the Trustee pursuant to Section 4.1(b) and Section 4.1(c)(ii) shall be applied as provided in paragraphs (e) and (f) of Section 3.01 of the GLR Paying Agent Agreement.

ARTICLE VIII

EARLY TERMINATION OPTION

SECTION 8.1. [RESERVED]

SECTION 8.2. Early Termination Option.

(a) The Authority shall have and may exercise, at any time prior to the expiration of the Lease Term if there shall not have occurred and then be continuing an Event of Default under this Agreement, the option to terminate this Agreement (and all obligations of the Authority and the State under this Agreement shall thereupon be terminated and extinguished, other than the reimbursement provisions contained in Section 4.3 hereof) under the provisions of this Section upon payment by the State to the Authority of the Early Termination Price pursuant to Section 8.3 of this Agreement (the "Early Termination Option").

(b) The Authority may exercise the Early Termination Option by giving written notice thereof to the State and the Trustee at least sixty (60) days before the date of settlement of the Early Termination Option, or such shorter period as the State and the Trustee may agree to in writing.

(c) In the event that the Authority exercises the Early Termination Option to terminate this Agreement, as set forth above, and the State pays the Early Termination Price as required pursuant hereto, the State's leasehold interest in the Leased Premises shall be extinguished and the State shall, for the sum of One Dollar (\$1.00), transfer, convey, release, assign and set over to the Authority or its assignee or designee all of the State's right, title and interest in and to the Leased Premises, by execution and delivery of such legal instruments as may be required therefor. The Authority shall bear all costs and expenses in connection with the preparation of the documents of conveyance and the delivery thereof and all fees, assessments, taxes and charges payable in connection with the conveyance of the State's right, title and interest in and to the Leased Premises, subject to Section 4.4(b). Upon such conveyance and payment therefor as aforesaid, this Agreement shall cease and terminate, and all obligations of the Authority and

the State under this Agreement shall be terminated and extinguished other than the reimbursement provisions contained in Section 4.3 hereof.

SECTION 8.3. Early Termination Price.

(a) The amount payable by the Authority to exercise its Early Termination Option for the Project Facilities pursuant to Section 8.2 of this Agreement shall be the sum of One Dollar (\$1.00) plus the Early Termination Price plus such additional amount, if any, which, with all other funds available therefor, will be sufficient to provide for all other Costs incurred and to be incurred by the State in connection with the Project Facilities and under the Trust Indenture and this Agreement, including any expenses incurred in connection with such payment of the Early Termination Price and the payment, redemption and/or defeasance, as applicable, of the Bonds, except for contingent reimbursement obligations of the Authority to the State under Section 4.3 for claims not settled or reduced to judgment.

(b) The obligation to provide for payment in full of all of the Bonds as required by this Section 8.3 and the definition of Early Termination Price herein shall be satisfied in the same manner as Bonds are deemed paid pursuant to Section 1201 of the Trust Indenture.

SECTION 8.4. Date of Settlement. The Early Termination Price to be paid pursuant to Section 8.3 of this Agreement shall be paid on a date of settlement and at a place to be mutually agreed upon by the State and the Authority.

ARTICLE IX

REPRESENTATIONS AND WARRANTIES

SECTION 9.1. Representations and Warranties by the Authority.

(a) The Authority has the full legal right, power and authority to enter into this Agreement.

(b) The execution, delivery and performance by the Authority of this Agreement does not and will not violate any provision of any law of the State or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the State and does not and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which the Authority is a party or by which the Authority may be bound.

(c) This Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy,

insolvency, moratorium, reorganization or similar laws relating to the enforcement of creditors' rights and general principles of equity.

(d) The Authority has or will obtain (i) a leasehold interest in the Ground Leased Premises, subject to the terms and conditions of the Ground Lease, and (ii) title to the Authority Leased Premises, which together comprise the Project Site (all as described in Exhibit A attached hereto) and the Improvements (as such term is defined in the Sublease) located on the Project Site, subject only to Permitted Encumbrances, and the Authority has the full right, power and authority to enter into, to execute and to deliver this Lease and the Sublease and to perform its obligations hereunder and thereunder, and has duly authorized the execution, delivery and performance of this Lease and the Sublease.

(e) To the best of the Authority's knowledge, except for Permitted Encumbrances, the Leased Premises are not subject to any dedication, easement, right of way, reservation, covenant, condition, restriction, lien or encumbrance that would prohibit or would interfere materially with the proposed design, construction, equipping and operation of the Project;

(f) All taxes, assessments or impositions of any kind with respect to the Leased Premises, if any, and except for current taxes not due and payable, have been paid in full; and

(g) The Project is an authorized project pursuant to the Act.

SECTION 9.2. Representations and Warranties by the State. The State represents and warrants as follows:

(a) The Project is necessary for the State to perform its governmental purpose of providing for essential governmental services for the inhabitants of the State.

(b) The State has the full legal right, power and authority to enter into this Agreement.

(c) The execution, delivery and performance by the State of this Agreement does not and will not violate any provision of any law of the State or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the State and does not and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, in any material respect, any agreement or instrument to which the State is a party or by which the State or any of its properties is or may be bound.

(d) This Agreement has been duly authorized, executed and delivered by the State and constitutes a legal, valid and binding obligation of the State, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws relating to the enforcement of creditors' rights and general principles of equity.

(e) Not less than seven days prior to the execution and delivery of this Agreement, the State Treasurer has notified, in writing, the President of the Senate and the Speaker of the General Assembly of this Agreement as required pursuant to Section 2(a) of P.L. 2021, c. 158.

ARTICLE X MISCELLANEOUS

SECTION 10.1. [Reserved]

SECTION 10.2. Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon the State, the Authority and their respective successors and assigns, subject, however, to the provisions of Section 6.3 hereof.

SECTION 10.3. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 10.4. Amendments, Changes and Modifications. This Agreement may be amended in writing by the parties, provided that the parties comply with Section 1005 of the Trust Indenture and, only if any Tax-Exempt Bonds are Outstanding, the Authority has received an opinion of Bond Counsel that such amendment shall not cause the interest on the Tax-Exempt Bonds, if any, to be includable in the gross income of any Holder thereof for Federal income tax purposes or cause the interest on the Tax-Exempt Bonds to be treated as an item of tax preference under Section 57 of the Code.

SECTION 10.5. Amounts Remaining under Trust Indenture. It is agreed by the parties hereto that any amounts remaining in any fund or account or subaccount created under the Trust Indenture with respect to the Project (except the Rebate Fund, if any), upon expiration or sooner termination of the Lease Term, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Trust Indenture) and the fees, charges and expenses of any fiduciaries acting under the Trust Indenture including, but not limited to, the Trustee and paying agents and the Authority in accordance with the Trust Indenture, shall belong to and be paid to the State, provided, however, that any funds at the time on deposit in the Project Fund which are needed to pay Costs of the Project shall be paid to the Authority.

SECTION 10.6. Notices. All notices or other communications provided for in this Agreement shall be in writing and shall be delivered personally to, or sent by certified or registered mail or overnight delivery service providing receipt against delivery (such as Federal Express), to the respective offices of: (a) the Authority, to the attention of (i) the Chief Executive Officer, New Jersey Economic Development Authority, 36 West State Street, P.O. Box 990, Trenton, New

Jersey 08625-0990, and (ii) the Vice President of Real Estate, New Jersey Economic Development Authority, 36 West State Street, P.O. Box 990, Trenton, New Jersey 08625-0990, and (b) the State 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 08625-0005, Attention: Director, Office of Public Finance, or to such other representatives as the Authority or the State may from time to time designate in writing.

Copies of all notices shall also be given to the Trustee at The Bank of New York Mellon, 385 Rifle Camp Road, Woodland Park, NJ 07424, Attention: Corporate Trust.

SECTION 10.7. Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

SECTION 10.8. Non-Waiver. It is understood and agreed that nothing contained in this Agreement shall be construed as a waiver on the part of the parties, or any of them, of any right not explicitly waived in this Agreement.

SECTION 10.9. Headings. The Article and section headings in this Agreement are inserted for convenience of reference only and are not intended to define or limit the scope of any provision of this Agreement.

SECTION 10.10. Applicable Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, all as of the day and year first above written.

LESSOR:
NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY

By:_____

LESSEE:
STATE OF NEW JERSEY

By: _____
Elizabeth Maher Muoio
State Treasurer

APPROVED AS TO FORM ONLY:

MATTHEW J. PLATKIN
ATTORNEY GENERAL OF NEW JERSEY

By: _____
[NAME]
[TITLE]

[SIGNATURE PAGE TO LEASE]

EXHIBIT A

Legal Description of Leased Premises

Ground Leased Premises:

Authority Leased Premises:

EXHIBIT B

Narrative Description of Project

SUBLEASE
(OFFSHORE WIND PORT PROJECT)

BETWEEN

THE TREASURER OF THE STATE OF NEW JERSEY
on behalf of the
STATE OF NEW JERSEY

as Sublessor
and

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY,
as Sublessee

Dated as of [January __], 2023

THIS SUBLEASE (this “Sublease”), entered into as of the ____ day of January, 2023, by the TREASURER OF THE STATE OF NEW JERSEY, on behalf of the STATE OF NEW JERSEY (the “State”), as Sublessor (the “Sublessor”) and the NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY (the “Authority”), a public body corporate and politic organized and existing under the Act hereinafter mentioned, as Sublessee (the “Sublessee”).

BACKGROUND

Capitalized terms used and not otherwise defined in this Background shall have the meanings given such terms in Section 1.1 hereof or in the Trust Indenture (as hereinafter defined).

A. The Authority is a public body corporate and politic and an instrumentality of the State exercising public and essential governmental functions, organized, subsisting under and having the powers conferred by the Act including, *inter alia*, the power to render assistance to governmental bodies through, among other means, the issuance of its obligations and the entering into contracts, including leases and development agreements, for: (1)(a) the acquisition, construction, reconstruction, repair, alteration, improvement and extension of any building, structure, facility, including water transmission facilities or other improvement, whether or not in existence or under construction, (b) purchase and installation of equipment and machinery, and (c) acquisition and improvement of real estate and the extension or provision of utilities, access roads and other appurtenant facilities; all of which are to be used or occupied by any person in any enterprise promoting employment, either for the manufacturing, processing or assembly of materials or products, or for research or office purposes, including, but not limited to, medical and other professional facilities, or for industrial, recreational, hotel or motel facilities, public utility and warehousing, or for commercial and service purposes, including, but not limited to, retail outlets, retail shopping centers, restaurant and retail food outlets, and any and all other employment promoting enterprises, including, but not limited to, motion picture and television studios and facilities and commercial fishing facilities, commercial facilities for recreational fishermen, fishing vessels, aquaculture facilities and marketing facilities for fish and fish products, and (d) acquisition of an equity interest in, including capital stock of, any corporation; or any combination of the above, which the authority determines will: (i) tend to maintain or provide gainful employment opportunities within and for the people of the State, or (ii) aid, assist and encourage the economic development or redevelopment of any political subdivision of the State, or (iii) maintain or increase the tax base of the State or of any political subdivision of the State, or (iv) maintain or diversify and expand employment promoting enterprises within the State; (2) the cost of acquisition, construction, reconstruction, repair, alteration, improvement and extension of an energy saving improvement or pollution control project which the authority determines will tend to reduce the consumption in a building devoted to industrial or commercial purposes, or in an office building, of nonrenewable sources of energy or to reduce, abate or prevent environmental pollution within the State; and (3) the establishment, acquisition, construction, rehabilitation, improvement, and ownership of port facilities as defined in section 3 of P.L.1997, c.150 (C.34:1B-146).

B. Executive Order No. 8 (Murphy 2018) committed the State to immediately pursue an initial 1,100 megawatts of offshore wind power and a total of 3,500 megawatts of offshore wind power by 2030, Executive Order No. 92 (Murphy 2019), increased this power generation target to 7,500 megawatts by 2035, and Executive Order No. 307 (Murphy 2022) increased this power generation target to 11,000 megawatts by 2040.

C. On behalf of the State, the Authority is leading the development of the New Jersey Wind Port, constituting a new purpose-built offshore wind marshalling and manufacturing port at Lower Alloways Creek, Salem County, New Jersey (the “Project”); a first-of-its kind asset in the United States and centerpiece of the State’s broader offshore wind development agenda.

D. Pursuant to a Ground Lease Agreement, dated September 14, 2021 (the “Ground Lease”), among PSEG Nuclear LLC, a New Jersey limited liability company, as Landlord (“Ground Lessor”), the Authority, as Tenant, and PSEG Nuclear LLC, in its own capacity, as amended and supplemented, the Ground Lessor has leased and shall lease to the Authority a portion of the premises upon which the Project will be constructed, all as provided in and subject to the terms and conditions of the Ground Lease.

E. It has been determined that a portion of the Costs of the Project shall be financed through Lease/Sublease arrangements between the State and the Authority and the issuance and sale by the Authority of the 2023 Series A Bonds, which shall be issued pursuant to the Act and the Indenture, as the same may be amended and supplemented in accordance with the terms hereof. The debt service on the 2023 Series A Bonds shall be paid by the Authority from the Basic Rent payable to the Authority by the State under the Lease, subject to appropriation from time to time by the State Legislature.

F. By the Authorizing Resolution adopted by the Authority on December 21, 2022, the Authority has authorized (i) the issuance of not exceeding \$160,000,000 State Lease Revenue Bonds (Offshore Wind Port Project), 2023 Series A (Federally Taxable) (Green Bonds – Climate Bond Certified), (ii) the execution and delivery of the Lease, this Sublease, the Trust Indenture, the First Supplemental Indenture and other documents, and (iii) other matters in connection with the foregoing for the purpose of financing all or a portion of the Costs of the Project and Costs of Issuance of the 2023 Series A Bonds.

G. Pursuant to the terms of the Act, the Authorizing Resolution and the Indenture, the Authority shall initially issue the 2023 Series A Bonds in an aggregate principal amount sufficient to (1) pay a portion of the Costs of the Project, including the Costs of Issuance of such 2023 Series A Bonds, and (2) fund the initial deposit to the Rent Reserve Account.

H. The Authority shall assign all of its rights to receive Basic Rent payable under the Lease to the Trustee.

I. In connection with the issuance of the 2023 Series A Bonds for the Project, the State will sublease the Subleased Premises to the Authority pursuant to this Sublease.

The parties desire hereby to set forth the terms and conditions on which the subleasing of the Subleased Premises by the State to the Authority shall be effected.

NOW, THEREFORE, the parties hereto, in consideration of the premises and covenants herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each intending to be legally bound, HEREBY AGREE AS FOLLOWS:

ARTICLE I

Definitions

Section 1.01. Defined Terms. Capitalized terms used but not defined in this Sublease shall have the meanings given to them in the Lease or in the Indenture. In addition, the following terms shall have the meanings set forth below.

“Act” shall mean the New Jersey Economic Development Authority Act, L. 1974, c. 80, as heretofore or hereafter from time to time amended and supplemented.

“Agreement” or “Lease” shall mean the Agreement and Lease dated January __, 2023, between the Authority, as Lessor, and the State, as Lessee, and any and all modifications, alterations, amendments and supplements hereto made in accordance with the provisions hereof and of the Indenture.

“Authority” shall mean the New Jersey Economic Development Authority, a public body corporate and politic constituting an instrumentality of the State, created and existing under and by virtue of the Act, exercising governmental functions 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 Subleased Premises” shall mean the real property owned by the Authority which shall form a part of the Subleased Premises, as more particularly in Exhibit A hereto.

“Authorized Authority Representative” shall mean the Chairman, Vice Chairman, Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, Vice President, Managing Director, Director, or any other authorized Authority representative who shall have power to execute contracts pursuant to the bylaws or a resolution adopted by the Authority.

“Authorizing Resolution” shall mean the Resolution adopted by the Authority on December 21, 2022, authorizing (i) the issuance of the 2023 Series A Bonds, (ii) the execution and delivery of, among other things, the Lease, this Sublease, the Trust Indenture and the First Supplemental Indenture and (iii) other matters in connection with the foregoing for the purpose of financing all or a portion of the Costs of the Project and Costs of Issuance of the 2023 Series A Bonds.

“First Supplemental Indenture” shall mean the First Supplemental Trust Indenture relating to State Lease Revenue Bonds (Offshore Wind Port Project), dated as of January __, 2023, executed and delivered pursuant to the Trust Indenture in connection with the issuance of the 2023 Series A Bonds, which, upon such execution and delivery, shall be deemed to be a part of the Trust Indenture.

“Ground Lease” shall mean the Ground Lease Agreement, dated September 14, 2021, among the Ground Lessor, as Landlord, the Authority, as Tenant, and PSEG Nuclear LLC, in its own capacity, as amended and supplemented.

“Ground Lessor” shall mean PSEG Nuclear LLC, in its capacity as landlord under the Ground Lease.

“Ground Subleased Premises” shall mean the leased premises as such term is defined in the Ground Lease and as more particularly described on Exhibit A.

“Improvements” shall mean all buildings, structures, parking facilities and other improvements, including all site improvements, now existing (whether to remain or to be removed or demolished in connection with the completion of the Project) or hereafter acquired, investigated, remediated, constructed, rehabilitated, renovated, repaired, installed, or removed, as applicable, on the Subleased Premises, as part of the Project.

“Indenture” shall mean the Trust Indenture, as amended and supplemented, including as supplemented pursuant to the First Supplemental Indenture.

“Permitted Encumbrances” shall have the meaning given to such term in Section 6.02 of this Sublease.

“Project Facilities” shall mean and include the Project Site and all Improvements comprising the Project.

“Project” shall have the meaning set forth in the Background to this Sublease.

“Project Site” shall mean the land described by metes and bounds on Exhibit A hereto.

“State” shall mean the State of New Jersey.

“State Legislature” shall mean the New Jersey State Legislature.

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

“Sublease” shall mean this Sublease dated January __, 2023, by and between the State, as sublessor, and the Authority, as sublessee, with respect to the Subleased Premises.

“Subleased Premises” shall mean (i) all of the State’s sub-leasehold interest in the Ground Subleased Premises, subject to terms and provisions of the Ground Lease, and (ii) all of the State’s leasehold interest in the Authority Subleased Premises, subject to the terms and provisions of the Lease, all as more particularly described in Exhibit A hereto.

“Trust Indenture” shall mean the Trust Indenture relating to State Lease Revenue Bonds (Offshore Wind Port Project), dated as of January __, 2023, by and between the Authority and the Trustee.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. The word “person” or “persons” shall include firms, corporations, associations, natural persons and public bodies unless the context shall otherwise indicate, and the singular and plural forms of words shall be deemed interchangeable whenever appropriate. Reference to a person other than a natural person shall include its successors.

Section 1.02. Incorporation of Recitals. The recitals in the Background section of this Sublease are incorporated herein by reference as if set forth in full herein and shall be binding on the parties to this Agreement.

ARTICLE II

Representations, Warranties and Covenants

Section 2.01. Representations, Warranties and Covenants of the State. The State represents and warrants to and covenants with the Authority as follows:

(a) The State has or will obtain (i) a sub-leasehold interest in the Ground Subleased Premises, subject to the terms and conditions of the Ground Lease and the Lease, and (ii) a leasehold interest in the Authority Subleased Premises, subject to the terms and conditions of the Lease, which together comprise the Project Site (all as described in Exhibit A attached hereto) and the Improvements located on the Project Site, subject only to Permitted Encumbrances, and the State has the full right, power and authority to enter into, to execute and to deliver the Lease and this

Sublease and to perform its obligations thereunder and hereunder, and has duly authorized the execution, delivery and performance of the Lease and this Sublease;

(b) All taxes, assessments or impositions of any kind with respect to the Subleased Premises, if any, and except for current taxes not due and payable, have been paid in full; and

(c) [The Project is necessary for the State to perform its governmental purpose of providing for essential governmental services for the inhabitants of the State.]

Section 2.02. Representations, Warranties and Covenants of the Authority. The Authority represents and warrants to and covenants with the State that the Authority has the full right, power and authority to adopt the Authorizing Resolution and to enter into, to execute, to deliver and to perform this Sublease, the Lease and the Indenture, and to perform its obligations hereunder and under the Lease and the Indenture and has duly authorized the adoption, execution, delivery and performance of this Sublease, the Lease and the Indenture.

ARTICLE III

Sublease of the Subleased Premises

Section 3.01. Sublease. The State hereby Subleases to the Authority and the Authority hereby takes and Subleases from the State for the sum of one dollar (\$1.00) and other good and valuable consideration, the receipt and the sufficiency of which are hereby acknowledged, the Subleased Premises.

Section 3.02. Term. The term of this Sublease shall commence on the date of issuance and delivery of the 2023 Series A Bonds by the Authority and shall remain in effect until terminated in accordance with Article IV hereof, unless extended upon the issuance of Additional Bonds.

Section 3.03. Lease and Sublease Create Independent Estates.

It is specifically agreed by the State and the Authority that:

(a) The Sub-Leasehold interest herein granted by the State to the Authority shall be independent of the Lease;

(b) The Lease shall not be an assignment or surrender of the Sub-Leasehold interest herein granted to the Authority;

(c) The Lease shall not operate as a merger or extinguishment of the Sub-Leasehold interest herein granted to the Authority; and

(d) This Sublease and the Lease shall not constitute “washout” or “mutual” leases.

ARTICLE IV

Termination

Section 4.01. Termination. Subject to the other provisions hereof, this Sublease shall terminate upon the date that is the later to occur of:

(a) the payment by the State of all obligations required to be paid by it under the Lease, and

(b) the date as of which all Bonds and Credit Facility Payment Obligations (as such term is defined in the Lease) issued or entered into under the Indenture have been paid or deemed paid pursuant to the Indenture.

ARTICLE V

Quiet Use and Enjoyment

Section 5.01. Quiet Use and Enjoyment. Subject to the terms of the Lease and the Ground Lease, the State hereby covenants to provide the Authority during the term of this Sublease with quiet use and enjoyment of the Subleased Premises, and the Authority during such term shall have, shall hold and shall enjoy the Subleased Premises peaceably and quietly, without interference from the State.

Section 5.02. Compliance with Laws. The parties to this Sublease agree to comply with all laws of the State applicable to the performance of this Sublease and all future acts supplemental thereto or amendatory thereof.

ARTICLE VI

Use of Subleased Premises; Surrender; Assignment

Section 6.01. Use of Subleased Premises. The Authority shall use the Subleased Premises solely for purposes of the Project.

Section 6.02. Surrender of Subleased Premises. The Authority agrees that upon the termination of this Sublease it will surrender the Subleased Premises to the State free and clear of all liens and encumbrances, except the following permitted encumbrances (the "Permitted Encumbrances"):

(a) with respect to the Ground Subleased Premises, Permitted Exceptions, as such term is defined in the Ground Lease; and

(b) with respect to the Authority Subleased Premises, the following:

- (i) undetermined liens and charges incident to construction, acquisition, demolition, reconstruction, relocation, renovation, environmental investigation, testing and remediation, installation, improvement, equipping, removal, establishment, repair, rehabilitation or maintenance of the Project Facilities, and liens and charges incident to construction, acquisition, demolition, reconstruction, relocation, renovation, environmental investigation, testing and remediation, installation, improvement, equipping, removal, establishment, repair, rehabilitation or maintenance now or hereafter filed on record which are being contested in good faith and have not proceeded to judgment, provided that the Authority shall have set aside adequate reserves with respect thereto with the State;
- (ii) the lien of taxes and assessments which are not delinquent;
- (iii) the liens of taxes and assessments which are delinquent but the validity of which is being contested in good faith and with respect to which the State shall have set aside adequate reserves, such reserves to be reimbursed by the Authority in the event that they are expended, unless by the contesting of the validity of such tax or assessment the Project Facilities or the interest of the Authority or the State may be in danger of being lost or forfeited;
- (iv) minor defects and irregularities in the title to the Project Site which do not in the aggregate, in the reasonable judgment of an Authorized Authority Representative, materially impair the use of the Project Facilities for the purposes for which it is or may reasonably be expected to be held;
- (v) easements, exceptions or reservations for the purposes of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of

real property, facilities and equipment, which do not, in the reasonable judgment of an Authorized Authority Representative, materially impair the use of such property for the purposes for which it is or may reasonably be expected to be held;

- (vi) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Project Facilities which do not, in the reasonable judgment of an Authorized Authority Representative, materially impair the use of the Project for the purposes for which it is or may reasonably be expected to be held;
- (vii) any obligations or duties affecting any portion of the Project Facilities to any municipality or governmental or other public authority with respect to any right, power, franchise grant, license, or permit;
- (viii) present or future zoning laws and ordinances, if any, applicable to the Project;
- (ix) riparian rights of the United States of America or the State of New Jersey;
- (x) the Lease, the Sublease and the Indenture; and
- (xi) such items, if any, as are listed on the title search(es) for the Project Site(s).

Section 6.03. No Assignment or Sale. The State will not sell, assign or otherwise dispose of or encumber this Sublease.

ARTICLE VII

Miscellaneous

Section 7.01. Severability. If any term or provision of this Sublease or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Sublease or the application of such term or provision to persons or to circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Sublease shall be valid and enforceable to the fullest extent permitted by law.

Section 7.02. Notices and Demands. All notices or other communications provided for in this Sublease shall be in writing and shall be delivered personally to, or sent by certified or registered mail or overnight delivery service providing receipt against delivery (such as Federal Express), to the respective offices of: (a) the Authority, to the attention of (i) the Chief Executive Officer, New Jersey

Economic Development Authority, 36 West State Street, P.O. Box 990, Trenton, New Jersey 08625-0990, and (ii) the Vice President of Real Estate, New Jersey Economic Development Authority, 36 West State Street, P.O. Box 990, Trenton, New Jersey 08625-0990, and (b) the State 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 08625-0005, Attention: Director, Office of Public Finance, or to such other representatives as the Authority or the State may from time to time designate in writing.

Copies of all notices shall also be given to the Trustee at _____, _____, Attention: _____.

Section 7.03. Binding Effect. This Sublease shall inure to the benefit of and shall be binding upon the Authority and the State and their respective successors and assigns.

Section 7.04. Counterparts. This Sublease may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

Section 7.05. Applicable Law. This Sublease shall be governed by and interpreted in accordance with the laws of the State of New Jersey.

Section 7.06. Amendments, Changes and Modifications. This Sublease may be amended from time to time by the Authority and the State, only as provided in Articles X and XI of the Trust Indenture.

IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the date first above written.

STATE OF NEW JERSEY, as Sublessor

By: _____
Elizabeth Maher Muoio
State Treasurer

NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY, as Sublessee

By: _____
Name:
Title:

APPROVED AS TO FORM ONLY:

MATTHEW J. PLATKIN
ATTORNEY GENERAL OF NEW JERSEY

By: _____
[NAME]
[TITLE]

[SIGNATURE PAGE TO SUBLEASE]

EXHIBIT A

Legal Description

[To be provided]

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 1st day of January, 2023, by and among the Treasurer of the State of New Jersey (the “Treasurer”), the New Jersey Economic Development Authority (the “Authority”), a public body corporate and politic of the State of New Jersey (the “State”), and The Bank of New York Mellon, as Dissemination Agent (the “Dissemination Agent”). This Disclosure Agreement is entered into in connection with the issuance and sale of the Authority’s \$_____ State Lease Revenue Bonds (Offshore Wind Port Project), 2023 Series A (Federally Taxable) (Green Bonds – Climate Bond Certified) (the “Bonds”). The Bonds are issued pursuant to an Authorizing Resolution of the Authority adopted on December 21, 2022 and under a Trust Indenture, dated as of January 1, 2023 (the “Trust Indenture”), between the Authority and The Bank of New York Mellon, as trustee (the “Trustee”), as amended and supplemented, including as supplemented by a First Supplemental Trust Indenture, dated as of January 1, 2023, between the Authority and the Trustee (collectively, the “Indenture”).

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 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 Bonds.

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture, 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.

“Financial Obligation” shall have the meaning given to such term in Section 5(a) of this Disclosure Agreement.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“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.

“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 Bonds.

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

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

(a) The Treasurer shall, no later than March 15, 2023 and March 15 of each year during which any of the 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 by the last Business Day of the month in which such Treasurer's Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB in substantially the form attached as Exhibit A hereto.

(d) (i) Notwithstanding anything to the contrary contained in this Disclosure Agreement, in order to expedite the transmission of the Treasurer's Annual Report to the MSRB, as set forth in subsections (a), (b) and (c) of this Section 3, the Treasurer shall have the option, but shall not be obligated, to submit the Treasurer's Annual Report directly to the MSRB no later than March 15 in each year (or if the fiscal year of the State shall end on any date other than June 30, not later than the fifteenth day of the ninth month next following the end of such other fiscal year). In the event that the Treasurer elects to submit the Treasurer's Annual Report directly to the MSRB, the Treasurer shall, at the same time, submit the Treasurer's Annual Report to the Dissemination Agent together with evidence that such Treasurer's Annual Report has been forwarded by the Treasurer to the MSRB, upon which evidence the Dissemination Agent may rely. In the event that the Treasurer elects not to submit the Treasurer's Annual Report directly to the MSRB, the Treasurer shall provide the Treasurer's Annual Report to the Dissemination Agent within the time period specified in subsection (a) of this Section 3.

(ii) If the Dissemination Agent does not receive notice that the Treasurer has submitted the Treasurer's Annual Report directly to the MSRB as provided in subsection (d)(i) of this Section 3 by the last Business Day of the month in which such Treasurer's Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB, in substantially the form attached as Exhibit A hereto.

SECTION 4. Contents of the Treasurer's Annual Report.

(a) Treasurer's Annual Report means (i) information pertaining to the finances and operating data of the State substantially of the type captioned as follows in Appendix I to the Official Statement of the Authority circulated in connection with the issuance of the 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) "COMPREHENSIVE ANNUAL FINANCIAL REPORT", being the audit report prepared annually by the Office of the State Auditor with respect to the State's general purpose financial statements for each year, as set forth in Appendix A attached to such Appendix I described above, all such financial information included in clause (ii) above being prepared using the accounting standards set forth in subsection (b) of this Section 4.

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

SECTION 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modification to rights of Holders, if material;
- (8) Bond calls, if material, and tender offers;

- (9) Defeasances of the Bonds;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes relating to the Bonds;
- (12) Bankruptcy, insolvency, receivership or similar event of the Authority;¹
- (13) The consummation of a merger, consolidation, or acquisition involving an 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 or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation 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 securityholders, 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) 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

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 Authority 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 Authority, 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 Authority.

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 such 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 Holders of affected Bonds pursuant to the Indenture.

(d) Notwithstanding anything to the contrary in this Disclosure Agreement, in order to expedite the transmission of the occurrence of Listed Events as set forth in this Section 5, the Treasurer shall have the option, but shall not be obligated to, file timely notice (which notice, if filed, shall not be filed in excess of ten (10) Business Days after the occurrence of any Listed Event), directly with the MSRB, copying the Dissemination Agent on any such notice.

SECTION 6. Termination of Reporting Obligation. The respective obligations of the Treasurer and the Authority under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the 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 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 Section 805 of the Trust Indenture. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, 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 Trust Indenture relating to reimbursement of the Dissemination Agent, shall apply to the performance by the Dissemination Agent of its obligations as Dissemination Agent under this Disclosure Agreement.

SECTION 12. Notices. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Authority:

New Jersey Economic Development Authority
36 West State Street
P.O. Box 990
Trenton, New Jersey 08625-0990
Attention: Chief Executive Officer

(ii) If to the Treasurer:

New Jersey Department of the Treasury
c/o Office of Public Finance
50 West State Street
5th Floor, P. O. Box 005
Trenton, New Jersey 08625
Attention: Director, Office of Public Finance

(iii) If to the Dissemination Agent:

The Bank of New York Mellon
385 Rifle Camp Road
Woodland Park, NJ 07424
Attention: Corporate Trust

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 of New Jersey. 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 of New Jersey.

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.

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

Elizabeth Maher Muoio
State Treasurer

NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY

By:_____
Arlene M. Clark
Director of Closing Services

THE BANK OF NEW YORK MELLON, as
Dissemination Agent

By:_____

[SIGNATURE PAGE TO CONTINUING DISCLOSURE AGREEMENT]

EXHIBIT A

NOTICE OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: New Jersey Economic Development Authority

Name of Issue affected: \$_____ State Lease Revenue Bonds,
(Offshore Wind Port Project), 2023 Series A (Federally Taxable)

Date of Issuance of affected Bond issue: January __, 2023

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 __, 2023, 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:

THE BANK OF NEW YORK MELLON

cc: Treasurer
Authority

APPENDIX V

FORM OF BOND COUNSEL OPINION

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[UPON DELIVERY OF THE 2023 SERIES A BONDS, M. JEREMY OSTOW, ESQ., BOND COUNSEL, IS EXPECTED TO RENDER HIS APPROVING LEGAL OPINION IN SUBSTANTIALLY THE FOLLOWING FORM]

[CLOSING DATE]

New Jersey Economic Development Authority
36 West State Street
Trenton, New Jersey 08625

Re: New Jersey Economic Development Authority
\$160,000,000* State Lease Revenue Bonds (Offshore Wind Port Project),
2023 Series A (Federally Taxable) (Green Bonds – Climate Bond Certified)

Ladies and Gentlemen:

I have acted as bond counsel to the New Jersey Economic Development 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 Economic Development Authority Act, constituting Chapter 80 of the Laws of New Jersey of 1974, as amended and supplemented (the “Act”), in connection with its issuance of \$160,000,000* State Lease Revenue Bonds (Offshore Wind Port Project), 2023 Series A (Federally Taxable)(Green Bonds – Climate Bond Certified) (the “Bonds”).

The Bonds are being issued pursuant to the Act, a resolution of the Authority adopted December 21, 2022 (the “Authorizing Resolution”), a Trust Indenture dated as of January 1, 2023 (the “Trust Indenture”), by and between the Authority and The Bank of New York Mellon, as trustee (the “Trustee”), as amended and supplemented, including by a First Supplemental Trust Indenture dated as of January 1, 2023, by and between the Authority and the Trustee (the “First Supplemental Indenture”, and together with the Trust Indenture, the “Indenture”; capitalized terms used but not defined herein shall have the meanings given to them in the Indenture).

The Bonds are dated and shall bear interest from the date of issuance thereof. The Bonds will mature on the dates and in the principal amounts and will bear interest at the respective rates per annum, set forth in the Indenture. The Bonds are subject to redemption and mandatory tender prior to maturity as set forth in the Indenture.

The 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, an automated depository for securities and clearinghouse for securities transactions. Purchases of the Bonds will be in book-entry only form without certificates in the denominations of \$5,000 or integral multiples of \$5,000 in excess thereof and are lettered and numbered from one upward preceded by the letter “R” prefixed to the number.

The proceeds of the Bonds shall be applied to (i) finance a portion of the development and construction costs of the New Jersey Wind Port Project (the "Project") that will support deployment of offshore wind projects in New Jersey and across the U.S. Eastern Seaboard; (ii) fund the initial deposit to the Rent Reserve Account by the Authority pursuant to the NJWP Ground Lease; and (iii) pay Costs of Issuance of the 2023 Series A Bonds.

In connection with the Project to be financed with the proceeds of the Bonds, the Authority and the State have entered into an (i) Agreement and Lease, dated as of January 1, 2023 (the "Lease"), pursuant to which the Authority will lease the Project Site to the State, and (ii) a Sublease, dated as of January 1, 2023 (the "Sublease"), pursuant to which the State will lease the Project Site back to the Authority. Pursuant to the Lease, the State is required to pay, among other things, as Basic Rent on or before each Payment Date a sum that, together with the balance, if any, on deposit in the Debt Service Fund established under the Indenture and available for such purpose, is sufficient to pay the Aggregate Obligations with respect to the Bonds coming due on such Payment Date.

THE OBLIGATION OF THE STATE TO PAY BASIC RENT PURSUANT TO THE LEASE IN ANY FISCAL YEAR IS SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE BY THE NEW JERSEY LEGISLATURE FOR SUCH PURPOSE IN SUCH FISCAL YEAR IN AN AMOUNT SUFFICIENT TO PAY THE STATE'S RENT PAYMENT OBLIGATIONS DUE UNDER SUCH LEASE FOR SUCH FISCAL YEAR ("STATE APPROPRIATIONS"). THE NEW JERSEY LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE STATE APPROPRIATIONS.

The Bonds are secured solely by the Pledged Property, consisting of (1) all funds, moneys and Investment Securities deposited in the Accounts within the Debt Service Fund and subaccounts within the Accounts within the Debt Service Fund pursuant to the Indenture and/or any Supplemental Indenture, and (2) the Revenues. The term "Revenues" means all Basic Rent paid pursuant to the Lease. Except as otherwise may be provided in a Supplemental Indenture, none of the Funds or Accounts within a Fund or subaccounts within an Account within a Fund other than the Debt Service Fund and the Accounts and subaccounts therein are pledged to the payment of the 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 Indenture and the other documents listed in the closing memorandum relating to the Bonds, and such matters of law and other proofs, as we deemed necessary to enable us to express the opinions set forth below.

Based upon and subject to the foregoing and the assumptions and qualifications set forth herein, we are of the opinion that:

1. The Authority is duly created and validly existing as a public body corporate and politic and an instrumentality of the State created pursuant to the Act, and the Authority has the right, power and

authority under the Act to adopt the Authorizing Resolution, to execute and deliver the Trust Indenture and the First Supplemental Indenture, to enter into the Lease and the Sublease (collectively, the "Lease Documents"), to perform its obligations thereunder and to issue the Bonds.

2. The Authorizing Resolution has been duly and lawfully adopted by the Authority and is in full force and effect.

3. The Indenture has been duly authorized, executed and delivered by the Authority, is in full force and effect, is valid and binding upon the Authority and is enforceable against the Authority in accordance with its terms. The Indenture creates the valid pledge which it purports to create of the Revenues and other Pledged Property held or set aside under the Indenture for the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. The Lease Documents have been duly authorized, executed and delivered by the Authority and the State, are in full force and effect, are valid and binding upon the Authority and the State, and are enforceable against the Authority and the State in accordance with their respective terms, and the Bonds are entitled to the benefits of the Lease Documents.

5. The Bonds are valid and binding obligations of the Authority as provided in the Indenture, and entitled to the benefits of the Indenture and the Act, as amended to the date hereof, and are enforceable in accordance with their terms and the terms of the Indenture. The Bonds have been duly and validly authorized, executed, issued and delivered in accordance with the Constitution and statutes of the State including the Act and in accordance with the Indenture. THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE BONDS. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY AGENCY OR INSTRUMENTALITY THEREOF (OTHER THAN THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

6. Interest on and any gain realized on the sale of the Bonds are not included in gross income under the existing New Jersey Gross Income Tax Act.

My opinions set forth above are subject, as to the enforceability of the Bonds, the Indenture and the Lease Documents, to applicable bankruptcy, reorganization, moratorium, insolvency or other laws affecting creditors' rights or remedies generally (including, without limitation, laws relating to fraudulent conveyances or transfers) and are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

This opinion is issued as of the date hereof, and I assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to my 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,

APPENDIX VI

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

The information in this Appendix VI concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable. However, the Authority takes no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners (as defined below) should rely on the following information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

General. Ownership interests in the 2023 Series A Bonds will be available to purchasers only through a book-entry system (the "Book-Entry System") maintained by The Depository Trust Company ("DTC"), which will act as securities depository for the 2023 Series A Bonds. The 2023 Series A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Initially, one fully registered Bond certificate will be issued for each maturity of the 2023 Series A Bonds, in the aggregate principal amount of such maturity of the 2023 Series A Bonds, and will be deposited with DTC. The following discussion will not apply to any 2023 Series A Bonds issued in certificate form due to the discontinuance of DTC's Book-Entry System, as described below.

DTC and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchase of Ownership Interests. Purchases of 2023 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2023 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of a 2023 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, are however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2023 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2023 Series A Bonds, except in the event that use of the book-entry system for the 2023 Series A Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all 2023 Series A 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 2023 Series A 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 2023 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2023 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2023 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2023 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents relating to the 2023 Series A Bonds. For example, Beneficial Owners of 2023 Series A Bonds may wish to ascertain that the nominee holding the 2023 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2023 Series A 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 2023 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. Principal and interest payments on the 2023 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal and interest on the 2023 Series A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the 2023 Series A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates for the 2023 Series A Bonds are required to be printed and delivered. The use of the system of book-entry transfers through DTC (or a successor depository) may be discontinued as described in the Indenture. In that event, Bond certificates for the 2023 Series A Bonds will be printed and delivered.

Neither the Authority nor the Trustee will have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of or interest on the 2023 Series A Bonds; (iii) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to the Holders of the 2023 Series A Bonds; and (iv) any consent given or other action taken by DTC as Bondholder.

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APPENDIX VII

CLIMATE BOND VERIFIER'S REPORT

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Verifier's Report

EXECUTIVE SUMMARY



ISSUER

New Jersey Economic Development Authority

OPINION ON

State Lease Revenue Bonds (Offshore Wind Port Project) 2023 Series A (Federally Taxable) (Green Bonds - Climate Bond Certified)

STANDARD AND SECTOR CRITERIA

Climate Bonds Standard
Version 3.0

▪ Marine Renewable Energy

PAR

\$160,000,000 (Preliminary, subject to change)

KEYWORDS

New Jersey wind port, Atlantic offshore wind, renewable energy, net zero aligned, decarbonizing, clean energy jobs

EVALUATION DATE

December 23, 2022

SUMMARY OF FINDINGS

Kestrel Verifiers is of the opinion that the State Lease Revenue Bonds (Offshore Wind Port Project) 2023 Series A (Federally Taxable) (Green Bonds - Climate Bond Certified) ("2023 Series A Bonds") are impactful, net zero aligned, conform with the Climate Bonds Standard (Version 3.0), and align with the United Nations Sustainable Development Goals as follows:

▪ Use of Proceeds

The 2023 Series A Bonds (i) finance a portion of the development and construction costs of the New Jersey Wind Port Project (the "Project") that will support the deployment of offshore wind projects in New Jersey and across the United States Eastern Seaboard, (ii) fund the initial deposit to the Rent Reserve Account, and (iii) pay costs of issuance. The Project is expected to support the production of 11 GW of offshore wind power by 2040, enabling the State's pursuit of clean energy goals, and to support planned projects for the production of over approximately 40 GW of offshore wind power across the United States Eastern Seaboard. The 2023 Series A Bonds are the first Climate Bond under the *Marine Renewable Energy* Sector Criteria in the United States.

▪ Process for Evaluation and Selection of Projects & Assets

The Project is part of a statewide goal to invest in offshore renewable energy projects and clean energy jobs. New Jersey Statewide executive orders, the New Jersey Offshore Wind Strategic Plan, and stakeholder input guided development of the Project.

▪ Management of Proceeds

Bond proceeds will fund Project costs and pay related costs of issuance. In connection with the issuance of the 2023 Series A Bonds, the Authority and the State will enter into two Agreements, a Lease, and a Sublease related to the Project. Proceeds are expected to be spent within 12 months of issuance.

▪ Reporting

The Authority will post continuing financial disclosures to the Municipal Securities Rulemaking Board ("MSRB") annually through the Electronic Municipal Market Access ("EMMA") system. Voluntary updates on the Project will be available on the New Jersey Wind Port project website: nj.gov/windport/. Kestrel will provide one Post-Issuance Report.

- **Impact and Alignment with United Nations Sustainable Development Goals**

The 2023 Series A Bonds support UN Sustainable Development Goals 7: *Affordable and Clean Energy*, 8: *Decent Work and Economic Growth*, 9: *Industry, Innovation, and Infrastructure*, 11: *Sustainable Cities and Communities*, and 13: *Climate Action*.

- **Assurance Conclusion**

Based on the Reasonable Assurance procedures we have conducted, in our opinion, the 2023 Series A Bonds conform, in all material respects, with the Climate Bonds Standard, and the bond-financed activities are aligned with the *Marine Renewable Energy* Sector Criteria.



Verifier's Report

Legal Name of Issuer:	New Jersey Economic Development Authority
Issue Description:	State Lease Revenue Bonds (Offshore Wind Port Project) 2023 Series A (Federally Taxable) (Green Bonds – Climate Bond Certified)
Project:	New Jersey Wind Port Project
Standard:	Climate Bonds Standard (Version 3.0)
Sector Criteria:	Marine Renewable Energy
Keywords:	New Jersey wind port, Atlantic offshore wind, renewable energy, net zero aligned, decarbonizing, clean energy jobs
Par:	\$160,000,000*
Evaluation Date:	December 23, 2022

*Preliminary, subject to change

CLIMATE BONDS DESIGNATION

The New Jersey Economic Development Authority (the “Authority” or “Issuer”) will issue the State Lease Revenue Bonds (Offshore Wind Port Project) 2023 Series A (Green Bonds - Climate Bond Certified) (“2023 Series A Bonds”) to finance construction of the New Jersey Wind Port Project (the “Project”).

This Verifier’s Report reflects Kestrel Verifiers’ view of the Authority’s projects and financing, allocation and oversight, and conformance of the 2023 Series A Bonds with the Climate Bonds Standard (Version 3.0) and *Marine Renewable Energy* Sector Criteria. In our opinion, the State Lease Revenue Bonds (Offshore Wind Port Project) 2023 Series A (Green Bonds - Climate Bond Certified) are impactful, net zero aligned, and conform with the internationally accepted Climate Bonds Standard (Version 3.0) and the *Marine Renewable Energy* Sector Criteria (Version 1.2).

ABOUT THE ISSUER

The Authority, established in 1974, is a body politic and corporate that exercises certain essential government functions for the State of New Jersey (the “State”), which has approximately 9.2 million residents.¹ The Authority leads development projects across New Jersey and works alongside other State departments and agencies, such as the Office of the Governor, the New Jersey Department of the Treasury, the Department of Transportation, and the New Jersey Board of Public Utilities.² The Authority’s mission is to grow the economy of New Jersey and increase equitable access to opportunities by catalyzing job creation, fostering industry innovation, and investing in community development. A board and executive committee oversee program developments, many of which have become national models for sustainability and

¹ “QuickFacts (2021),” United States Census Bureau, accessed December 9, 2022, <https://www.census.gov/quickfacts/fact/table/NJ,US/PST045221>.

² “Fast Facts About NJWP,” New Jersey Economic Development Agency, December 15, 2021, <https://nj.gov/windport/about/pdf/20211215OSWFastFacts.pdf>.

equitable economic growth. The Authority has key priorities and goals for economic growth, including but not limited to:

- Create job and median wage growth to support New Jersey residents;
- Close racial and gender wage gaps; and
- Incorporate sustainable innovation and design to increase job growth.³

The Authority and the State demonstrate a strong commitment to sustainability and clean energy development. In 2019, the State released the Energy Master Plan which outlines decarbonizing goals, such as reaching 50% clean energy by 2030 and 100% clean energy by 2050. New Jersey is one of six states with an energy storage target of 2,000 megawatts (MW) by 2030.⁴ Aligned with the Energy Master Plan, the State established an ambitious goal of generating 11 gigawatts (GW) of electricity from offshore wind energy by 2040.⁵ Through tax incentives and financing programs, the Authority plans to aid development of offshore wind projects.⁵

CONFORMANCE WITH CLIMATE BONDS STANDARD AND SECTOR CRITERIA

The Authority engaged Kestrel Verifiers to provide an independent verification on alignment of the 2023 Series A Bonds with the Climate Bonds Standard (Version 3.0) and Certification Scheme, and the *Marine Renewable Energy* Sector Criteria. The Climate Bonds Initiative ("CBI") administers the Standard and Sector Criteria. Additionally, Kestrel Verifiers examined alignment of the 2023 Series A Bonds with the United Nations Sustainable Development Goals ("UN SDGs").

Kestrel Verifiers is a Climate Bonds Initiative Approved Verifier. The Kestrel Verification Team included environmental scientists, social scientists, and financial professionals. We performed a Reasonable Assurance engagement to independently verify that the bonds meet relevant criteria, in all material respects.

For this engagement, Kestrel Verifiers reviewed the Authority's bond disclosure documentation, Green Bond Framework, disclosures and documentation pertaining to the allocation and uses of bond proceeds, as well as relevant plans and alignment to the Authority's overarching climate objectives. We examined public and non-public information and interviewed key staff of the Authority. Our goal was to understand the planned use of proceeds, procedures for managing proceeds, and plans and practices for reporting in sufficient detail to verify the bonds.

Relevant Climate Bonds Sector Criteria and Other Standards

The 2023 Series A Bonds align with the Climate Bonds Standard (Version 3.0) and *Marine Renewable Energy* Sector Criteria (Version 1.2).

Assurance Approach

Kestrel Verifiers' responsibility was to conduct a Reasonable Assurance engagement to determine whether the 2023 Series A Bonds meet, in all material respects, the requirements of the Climate Bonds Standard. Our Reasonable Assurance was conducted in accordance with the Climate Bonds Standard (Version 3.0) and the *International Standard on Assurance Engagements (ISAE) 3000 (Revised)*, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. See Appendix A for more detail regarding Kestrel Verifiers' assurance approach. Information relating to this engagement and the Verifier's and Issuer's Responsibilities, and Independence and Quality Control are available in Appendix B.

Kestrel Verifiers has relied on information provided by the Authority. There are inherent limitations in performing our assurance; fraud, error or non-compliance may occur and not be detected. Kestrel Verifiers is not responsible or liable for any opinions, findings or conclusions within the information provided by the Authority that are incorrect. Our assurance is limited to the review of the Authority's policies and procedures that are, in Kestrel's view, relevant to the key components of the Climate Bonds Standard (Version 3.0).

³ "The State of Innovation: Building a Stronger and Fairer Economy in New Jersey," New Jersey Economic Development Agency, accessed December 9, 2022, <https://www.njeda.com/economicplan/>.

⁴ "Clean Energy," New Jersey Economic Development Agency, accessed December 9, 2022, <https://www.njeda.com/clean-energy/>.

⁵ "Offshore Wind," New Jersey Economic Development Agency, accessed December 9, 2022, <https://www.njeda.com/offshorewind/>.

The distribution and use of this verification report are at the sole discretion of the Authority. Kestrel Verifiers does not accept or assume any responsibility for distribution to any other person or organization.

Use of Proceeds

Proceeds of the 2023 Series A Bonds will (i) finance a portion of the development and construction costs of the New Jersey Wind Port Project (the “Project”) that will support deployment of offshore wind projects in New Jersey and across the United States Eastern Seaboard, (ii) fund the initial deposit to the Rent Reserve Account, and (iii) pay costs of issuance. The Project is expected to support production of 11 GW of offshore wind power by 2040 (which will power approximately 3.6 million homes⁶), will enable the State’s pursuit of clean energy goals, and is the first Climate Bond under the *Marine Renewable Energy Sector Criteria* in the United States.

The New Jersey Wind Port Project

The Authority is leading the financing and development of the Project, which consists of a new purpose-built offshore wind marshalling⁷ and manufacturing port on the eastern shore of the Delaware River at Lower Alloways Creek in Salem County, New Jersey. Upon completion, the 220 acre New Jersey Wind Port (the “Port”) will have capacity to support multiple manufacturing facilities and marshalling for two offshore wind farm developments at a time.⁸ Approximately 112 acres of the Port are located on land leased by the Authority on a long-term basis from PSEG Nuclear LLC (“PSEG”). Pursuant to two Agreements, a Lease, and a Sublease, the State will ultimately sublease the Project to the Authority. The Authority will oversee development of the Project and Port operations.

Site selection for offshore wind projects and supporting infrastructure (such as ports) is dictated by specific requirements related to geography, climate conditions, reliable wind, and access to existing power infrastructure. The selected location for the Port reflects a precise convergence of these factors. The Port will be in marshalling range of several offshore wind projects and lease areas located along the East Coast wind belt. During early planning of the Project, the Authority considered physical climate risk of extreme weather events such as hurricanes, as well as sea level rise and erosion. For example, manufacturing structures will be built, at minimum, five feet above base flood elevations.

Up to seven land parcels will be developed to create the Port.⁸ A majority of 2023 Series A Bond proceeds will finance Phase 1 of the Project and a smaller portion will finance Phase 2 of the Project. Table 1 outlines components of each phase and construction status.

⁶ “Fast Facts About NJWP”, New Jersey Economic Development Agency, December 15, 2021, <https://nj.gov/windport/about/pdf/20211215OSWFastFacts.pdf>.

⁷ Marshalling at the Port will comprise component staging, final assembly, and transport of offshore wind turbines.

⁸ “The New Jersey Wind Port – Technical Information for Offshore Wind Developers and Component Manufacturers,” New Jersey Economic Development Agency, accessed December 9, 2022, <https://nj.gov/windport/about/pdf/NJWPTechnicalInformationPackage.pdf>.

Table 1. Project Phases and Construction Statuses

Project Phase	Components of the Phase	Status & Expected Completion Date
Phase 1	<ul style="list-style-type: none"> ▪ Development of an approximately 30-acre property and adjacent wharf infrastructure for marshalling (i.e. wind turbine staging, final assembly, and transport); ▪ Dredging of an access channel from the Port to the main Delaware River shipping channel, as well as berth pockets able to accommodate jack-up installation vessels; ▪ Development of an approximately 57-acre property (comprising two parcels) for Tier 1 wind component manufacturing (such as blades), connected to the wharf infrastructure by a heavy haul road corridor; ▪ Redevelopment of an approximately 30-acre existing confined disposal facility for dredge placement; ▪ Repurposing of an existing five-acre property with port administration and parking; ▪ Development of on-site power utilities and offsite grid connection. 	<p>Components of Phase 1 are under construction with other components at an early design stage.</p> <p>Phase 1 is expected to be substantially complete by the end of 2025.</p>
Phase 2	<ul style="list-style-type: none"> ▪ Development of an approximately 40 to 50-acre property and adjacent wharf infrastructure for marshalling (with dredged berth pockets and turning basin); ▪ Development of an approximately 60 to 70-acre property built for Tier 1 wind component manufacturing, as well as adjacent wharf infrastructure (with dredged berth pockets and turning basin); ▪ Installation of on-site water, wastewater, stormwater, and telecommunications infrastructure; ▪ Development of heavy-haul road corridors connecting parcels and shared wharves. 	<p>Phase 2 components are in preliminary design and planning.</p> <p>Phase 2 is expected to be complete by the end of 2028.</p>

The Authority has taken steps to incorporate best practices for greenhouse gas emissions reductions in building and operating the Project. Project emissions are compliant with the Army Corp of Engineers and the United States Environmental Protection Agency requirements and regulations, and are expected to be low as a result of efficient systems at the Port and partial repurposing of existing greyfields. Additionally, unlike conventional ports which utilize diesel trucks for transport, Port will likely transport most manufactured parts, such as wind turbine rotors and shafts, by sea vessel and potentially electric tugboats. While the Port's self-propelled modular transporters⁹ may not be electric, the Authority intends to hire crane operators and equipment managers that utilize industry best practices.

Energy efficiency aspects of the Project include, but are not limited to:

- 100% renewable energy sources through local power purchase agreements and/or offset carbon emissions of on-site buildings;
- Electric charging plug-ins for vessels at docks;
- Development of a substation to allow for EV charging;
- Low-impact development stormwater features and stormwater capture for on-site reuse; and
- Beneficial reuse of dredge materials and recycled concrete in coordination with other agencies (such as the State's Department of Transportation).

At full operation, approximately 1,500 operations and manufacturing jobs will be sustained by the Port, enabling clean energy careers in the region.

Environmental Mitigation & Regulatory Requirements

Kestrel recognizes that development of wind ports and related dredging may have direct and indirect impacts on river, ocean and coastal wetland ecosystems that are not all positive. Offshore wind projects themselves

⁹ Self-propelled modular transporters are motorized vehicles with multi-axle platforms that are capable of lifting, carrying, and setting large and heavy loads.

may have negative impacts. Many of these impacts, such as potential loss of biodiversity, are still unknown, but the Authority has undergone a rigorous environmental review process for development of the Port, and taken steps to minimize or mitigate potentially harmful impacts.¹⁰ Parcel A of the Project required 47 permits from 13 different agencies, and other bond-financed parcels will require similar permits. See Appendix C for a select list of environmental permitting and requirements related to the Project.

Development of the Port may also impact surrounding communities with construction noise, traffic, vessel pollution, and potential interference with local marine-related businesses. The Authority has met all regulatory requirements to minimize these kinds of local impacts and has taken steps to facilitate hiring union workers from the surrounding community, which aligns with the Authority's workforce equity goals.¹¹

Decarbonizing Impact of Renewable Energy Projects

In April 2021, the United States "recognize[d] the role of the broader suite of ocean-based climate solutions, including scaling-up offshore renewable energy and reducing emissions from shipping and ports, in increasing climate ambition and creating jobs."¹² As such, offshore wind is expanding rapidly as a reliable, cost effective, clean energy source. As of November 2022, there are more than 50 GW of offshore wind farms in operation worldwide.¹³ Kestrel views investment in offshore wind energy—a utility-scale wind power technology—as vital to the transition to the decarbonized economy. Similarly, Kestrel views the New Jersey Wind Port Project, which will facilitate offshore wind projects, as necessary in the pursuit of renewable energy production.

Sector Criteria for *Marine Renewable Energy* (Version 1.2)

The Project aligns with CBI's *Marine Renewable Energy* Sector Criteria, as well as the associated Mitigation, Adaptation and Resilience requirements.

Mitigation Component: The Project is 100% dedicated to the development of offshore wind energy projects. The Port intends to use offsite renewable energy sources through local power purchase agreements and/or offset carbon emissions of buildings.

Adaptation and Resilience Requirements: The Project meets Sector Criteria adaptation and resilience requirements. A detailed evaluation of the Authority's adaptation and resilience performance in relation to the Project is included in Appendix D.

Net Zero Alignment

Bonds are net zero aligned if the financed activities advance goals to reach net zero greenhouse gas emissions by 2050. The Project is enabling development of offshore renewable power, which is crucial to a net zero, clean energy sector in New Jersey. Although biological impacts of offshore wind on marine ecosystems may be somewhat unknown, the transition to a low carbon economy is necessary to slow climate change and prevent catastrophic biodiversity loss. The Project aligns with the New Jersey Energy Master Plan goal to reach 50% clean energy by 2030 and 100% clean energy by 2050.

Process for Project Evaluation and Selection

The New Jersey Wind Port Project advances a statewide goal to invest in offshore renewable energy projects and support green economy jobs.

Governor Murphy signed Executive Order No. 8 in 2018, committing the State to produce a total of 3,500 MW of offshore wind power by 2030. Executive Order No. 307, signed in 2022, increases the target to 11,000 MW of offshore wind power by 2040. The executive orders prompted creation of the Offshore Wind Strategic Plan ("OWSP") by the State's Board of Public Utilities in 2020. The OWSP outlines priorities, addresses environmental risk, and details the State's commitment to develop offshore wind power. The Port

¹⁰ "Living Resources: Atlantic Sturgeon", Delaware River Basin Commission, accessed December 9, 2022, <https://www.nj.gov/drbc/basin/living/atlantic-sturgeon.html>.

¹¹ "Fast Facts About NJWP", New Jersey Economic Development Agency, December 15, 2021, <https://nj.gov/windport/about/pdf/20211215OSWFastFacts.pdf>.

¹² "The United States if America Nationally Determined Contribution, Reducing Greenhouse Gases in the United States: A 2030 Emissions Target," United States Government, April 21, 2021, <https://unfccc.int/sites/default/files/NDC/2022-06/United%20States%20NDC%20April%2021%202021%20Final.pdf>.

¹³ "California Offshore Wind Industry Report," Offshore Wind California, November 2022, <https://www.offshorewindca.org/reports>.

enables this long-term offshore wind development endeavor. The Authority completed a detailed feasibility study to select the Project location.¹⁴ Additionally, the Authority continues to involve the community throughout Project development. The New Jersey Wind Port Diversity and Local Engagement Advisory Committee, comprising community and small business representatives, meets monthly to engage with women and minority small businesses in project planning and construction to increase job creation.¹⁵

Management of Proceeds

The 2023 Series A Bonds will finance the costs of the Project and pay related costs of issuance. In connection with the issuance of the 2023 Series A Bonds, the Authority and the State will enter into two Agreements, a Lease, and a Sublease related to the Project. These arrangements will allow the State to sublease the Project to the Authority. The Authority plans to relet and sublease the Project to private sector tenants. Under the Lease, the State will agree to make lease rental payments to the Authority, so that the Authority may pay debt service on the 2023 Series A Bonds and pay rent obligations to PSEG under a Ground Lease. Prior to disbursement, proceeds will be held in a project fund overseen by the Trustee and may be invested in the New Jersey Cash Management Fund or short-term funds (such as United States Treasury Obligations). Proceeds are expected to be spent within 12 months of issuance.

Reporting

The Authority will submit annual continuing disclosures to the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access ("EMMA") system so long as the 2023 Series A Bonds are outstanding.

In accordance with the Climate Bonds Standard, Kestrel Verifiers will be engaged to provide one Post-Issuance Report within 24 months of issuance to confirm continued conformance of the 2023 Series A Bonds with the relevant Standards and Criteria.

The Authority intends to provide voluntary Project status updates annually until the Project is complete on the New Jersey Wind Port website: nj.gov/windport/.

IMPACT AND ALIGNMENT WITH UN SDGS

The Project supports and advances the vision of the United Nations Sustainable Development Goals ("UN SDGs"), including:

- Targets 7.1, 7.2, and 9.1 by enabling the expansion of offshore wind energy that will support regional energy demands;
- Target 9.4 by incorporating energy efficient aspects that will minimize greenhouse gas emissions;
- Target 8.2 by providing long-term clean energy jobs at full operation;
- Target 11.6 by increasing the use of renewable energy, which contributes to improved air quality;
- Target 13.2 by featuring renewable energy alternatives to avoid greenhouse gas emissions.

Full text of the Targets for Goals 7, 8, 9, 11 and 13 is available in Appendix E, with additional information available on the United Nations website: un.org/sustainabledevelopment

¹⁴ "Fast Facts About NJWP", New Jersey Economic Development Agency, December 15, 2021, <https://nj.gov/windport/about/pdf/20211215OSWFastFacts.pdf>.

¹⁵ "Clean Energy and Equity", Office of Climate Action & the Green Economy, State of New Jersey, accessed December 9, 2022, <https://www.nj.gov/governor/climateaction/cleanenergy/>.



Affordable and Clean Energy (Targets 7.1, 7.2)

Possible Indicators

- Renewable energy share in the state's total energy consumption
- Renewable energy produced through offshore wind
- Number of offshore wind projects supported by the Port
- Number of people with access to clean energy services



Decent Work and Economic Growth (Target 8.2)

Possible Indicators

- Number of short-term and long-term clean energy jobs created



Industry, Innovation and Infrastructure (Targets 9.1, 9.4)

Possible Indicators

- Metric tons of avoided greenhouse gas emissions of the Port



Sustainable Cities and Communities (Target 11.6)

Possible Indicators

- Metric tons of avoided greenhouse gas emissions of the Port



Climate Action (Target 13.2)

Possible Indicators

- Metric tons of avoided greenhouse gas emissions of the Port

ASSURANCE STATEMENT AND CONCLUSIONS

Based on the Reasonable Assurance procedures we have conducted, in our opinion, the 2023 Series A Bonds conform, are impactful, net zero aligned, and conform, in all material respects, with the current Climate Bonds Standard, and *Marine Renewable Energy Sector Criteria*. The New Jersey Wind Port Project is a crucial infrastructure investment that will advance the State's ambitious clean energy goals.

Sincerely,

Melissa Sherwood

Melissa Sherwood, Senior Verifier
Kestrel Verifiers
Hood River, Oregon, United States
December 23, 2022

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ABOUT KESTREL VERIFIERS



For over 20 years Kestrel has been a trusted consultant in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based certified Women's Business Enterprise. For more information, visit kestrelverifiers.com.

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DISCLAIMER

This Opinion aims to explain how and why the discussed financing meets the CBI Climate Bonds Standard based on the information that was provided by the Authority or made publicly available by the Authority and relied upon by Kestrel only during the time of this engagement (December 2022), and only for purposes of providing this Opinion.

We have relied on information obtained from sources believed to be reliable, and assumed the information to be accurate and complete. However, Kestrel Verifiers can make no warranty, express or implied, nor can we guarantee the accuracy, comprehensive nature, merchantability, or fitness for a particular purpose of the information we were provided or obtained.

By providing this Opinion, Kestrel Verifiers is neither addressing nor certifying the credit risk, liquidity risk, market value risk or price volatility of the projects financed by the Climate Bonds. It was beyond Kestrel Verifiers' scope of work to review for regulatory compliance, and no surveys or site visits were conducted by us. Furthermore, we are not responsible for surveillance, monitoring, or implementation of the project, or use of proceeds.

The Opinion delivered by Kestrel Verifiers is for informational purposes only, is current as of the date of issuance, and does not address financial performance of the Climate Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of the Authority, nor its ability to pay principal and interest when due. This Opinion does not address the suitability of a Bond as an investment, and contains no offer, solicitation, endorsement of the Bonds nor any recommendation to buy, sell or hold the Bonds. Kestrel Verifiers accepts no liability for direct, indirect, special, punitive, consequential or any other damages (including lost profits), for any consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions.

This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers reserves the right to revoke or withdraw this Opinion at any time. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the Authority or the projects discussed. We are 100% independent. Language in the offering disclosure supersedes any language included in this Opinion.

Use of the United Nations Sustainable Development Goal (SDG) logo and icons does not imply United Nations endorsement of the products, services, or bond-financed activities. The logo and icons are not being used for promotion or financial gain. Rather, use of the logo and icons is primarily illustrative, to communicate SDG-related activities.

Appendix A.

ASSURANCE PROCEDURES

REQUIREMENT		ASSURANCE PROCEDURES
1. Use of Proceeds		
1.1	Project Documentation	Review documentation of the Nominated Projects assessed as likely to be Eligible Projects, and list of Nominated Projects that Issuer will keep up-to-date during the term of the bond.
1.2	Valuation	Review net proceeds of the bond to ensure they are not greater than the value of the project.
1.3	Multiple Nominations for Certified Debt Instruments	Review Nominated Projects for previous nominations to other Certified Climate Debt Instruments, green bonds, or other designated instruments.
1.3.1	Nominations to Other Debt Instruments	Review Nominated Projects to determine whether certain portions are being financed by separately designated Certified Debt Instruments.
1.3.2	Refunding Existing Certified Climate Debt	Review and confirm whether Nominated Projects have been refinanced by other Certified Debt Instruments or bonds under assessment will refinance existing Certified Debt Instruments.
2. Process for Project Evaluation and Selection		
2.1	Environmental Statement & Process (2.1.1-2.1.4)	Review statement of the climate-related objectives of the bond. Review documentation of the process that the Issuer followed to identify projects and confirm eligibility requirements for inclusion of Nominated Projects in the bond. Review planning documents which establish goals, priorities and potential impact.
2.2	Eligibility (2.2.1-2.2.2)	Review additional documentation Issuer provided on further aspects of identification process including strategic directions and standards. Review the Issuer's environmental and social integrity policy, and/or Green Bond Framework, and confirm its coverage of the Nominated Projects.
2.3	Taxonomy & Technical Criteria	Test Nominated Projects to determine whether they meet the minimum technical requirements of the Climate Bonds Standard and relevant Sector Criteria (Part C: Eligibility of Projects and Assets).
3. Management of Proceeds		
3.1	Documentation of Processes & Procedures	Confirm that the policies, processes and procedures for tracking financial flows of the bond proceeds to the Nominated Projects are in place.
3.1.1	Tracking of Proceeds	Review the allocation of funds to ensure they can be tracked against Nominated Projects.
3.1.2	Managing of Unallocated Proceeds	Review documentation for the management of bond proceeds for funds that are not allocated to a Nominated Project and review eligible temporary investments for unallocated proceeds.
3.1.3	Earmarking Funds	Confirm that the policies, processes and procedures to identify flows of proceeds related to the Bond have been established.
4. Reporting		
4.1	Bond Disclosure Documentation	Review the Issuer's Green Bond Framework and confirm plans to make the document publicly available. Confirm inclusion of necessary information within the Green Bond Framework.
4.1.1	Confirmation of Alignment	In the Green Bond Framework, confirm documentation and review areas of investment align with the Climate Bonds Standard and review statements of alignment with other relevant standards.
4.1.2	Uses of Proceeds	In the Green Bond Framework, confirm documentation and review expected uses of proceeds and the amounts allocated to activities in relevant sectors and subsectors.

REQUIREMENT	ASSURANCE PROCEDURES
4.1.3 Decision-making Process	In the Green Bond Framework, confirm documentation of decision-making processes and positioning in the context of the Issuer's overarching objectives.
4.1.4 Sector Criteria Assumptions and Methodologies	In the Green Bond Framework, confirm documentation of assumptions and methodologies to evaluate conformance with Sector Criteria.
4.1.5 Temporary Investment Instruments	In the Green Bond Framework, confirm documentation of allowable temporary investment instruments.
4.1.6 Reporting Approach	In the Green Bond Framework, confirm disclosure of intended approach to providing Update Reports and/or undertaking periodic Assurance Engagements during term of bond to reaffirm conformance with the Climate Bonds Standard.
4.1.7 List of Nominated Projects	In the Green Bond Framework, confirm disclosure of list of Nominated Projects likely to be eligible.
4.1.8 Refinancing	In the Green Bond Framework, confirm disclosure of proportion of proceeds for refinancing, if applicable.
4.2 Disclosure Documentation	Confirm incorporation of key information in Disclosure Documentation.
4.2.1 Sector Criteria Disclosure	Confirm "investment areas," or alignment with the Climate Bonds Taxonomy and relevant Sector Criteria for Nominated Projects.
4.2.2 Temporary Investments	Confirm disclosure of eligible temporary investments for unallocated proceeds.
4.2.3 Verifier	Confirm disclosure of Verifier selected for Pre-Issuance and Post-Issuance Engagements.
4.2.4 Ongoing Reporting	Confirm disclosure of intended ongoing reporting on the Nominated Projects and allocation of proceeds.
4.2.5 CBI Disclaimer	Confirm incorporation of the CBI Disclaimer as provided in the Certification Agreement.



Appendix B.

RESPONSIBILITIES AND QUALITY CONTROL

Verifier's Responsibilities

Kestrel Verifiers' responsibilities for confirming alignment of the 2023 Series A Bonds with the Climate Bonds Standard and *Marine Renewable Energy Sector Criteria* include:

- Assess and certify the Authority's internal processes and controls, including selection process for projects and assets, internal tracking of proceeds, and the allocation system for funds;
- Assess policies and procedures established by the Authority for reporting;
- Assess the readiness of the Authority to meet the Climate Bonds Standard (Version 3.0) and *Marine Renewable Energy Sector Criteria*; and
- Express a Reasonable Assurance conclusion.

Issuer's Responsibilities

Issuer was responsible for providing detailed information and documents relating to:

- The details of the Nominated Projects and Assets and the project selection process;
- Maintaining adequate records and internal controls designed to support the Climate Bond Pre-Issuance Certification process; and
- The collection, preparation, and presentation of the subject matter in accordance with the Climate Bonds Standard and Criteria.

Independence and Quality Control

Kestrel Verifiers provides green, social and sustainability bonds advisory services for corporate and public finance issuers. The Kestrel Verification Team is committed to providing robust, transparent, and accurate verifications. For over 20 years Kestrel has been a trusted advisor to state and local governments, nonprofits, and corporations. Kestrel certifies that there is no affiliation, involvement, financial or non-financial interest in the issuer or the projects discussed. Accredited as an Approved Verifier by the Climate Bonds Initiative, Kestrel is qualified to evaluate bonds against the Climate Bonds Initiative Standards and Criteria.



Appendix C.

SELECT PERMITS, LICENSES, & REGULATIONS FOR PARCEL A

Governmental Agency	Permits/ Licenses/ Regulations	Federal/ State/ County
United States Environmental Protection Agency (USEPA)	<ul style="list-style-type: none"> Clean Water Act 	Federal
United States Army Corps of Engineers	<ul style="list-style-type: none"> Rivers and Harbors Act and related regulatory permitting requirements 	Federal
New Jersey Department of Environmental Protection (NJDEP)	<ul style="list-style-type: none"> Coastal Area Facilities Review Act (CAFRA) Waterfront Development Permit Coastal Wetland Permit Freshwater Wetland General Permit No. 7 Freshwater Wetland Individual Permit Tidelands Instrument (License, Lease, or Grant) 	State
USEPA	<ul style="list-style-type: none"> Spill Prevention Control and Countermeasure 	Federal
NJDEP/USEPA	<ul style="list-style-type: none"> Air Quality 	State
Cumberland-Salem SCD	<ul style="list-style-type: none"> Soil Erosion and Sediment Control Plan Approval 	County
United States Coast Guard (USCG)	<ul style="list-style-type: none"> United States Coast Guard Notice Mariners Private Aids to Navigation Approval 	Federal



Appendix D.

CLIMATE BONDS STANDARD MARINE RENEWABLE ENERGY ADAPTATION & RESILIENCE CHECKLIST

ELIGIBLE ASSET

The New Jersey Wind Port is an eligible asset under the *Marine Renewable Energy Criteria*, as an offshore wind asset dedicated to installing and operating offshore wind energy infrastructure, namely, Wind Turbine Installation Vessels (“WTIV”) and jack-up rigs.

CRITERIA

The checklist is a tool to verify the Authority has implemented sufficient processes and plans in the design, planning and decommissioning phases of the Project. The checklist also helps ensure operation and construction of the asset minimizes environmental harm, the asset is appropriately adaptive and resilient to climate change, and supports the adaptation and resilience of other stakeholders in the marine environment.

Adaptation & Resilience Checklist - Section 1: The Issuer understands the climate related risks and vulnerabilities to the asset / site			
(To be completed for all Marine Renewable Energy assets)			
		Proof given	Overall Assessment (Comments)
1.1	Processes are in place (as part of both the asset design and ongoing management) to assess key risks to the assets from a changing climate and its impact on marine conditions	New Jersey Wind Port-Technical Information for Offshore Wind Developers and Component Manufacturers: https://nj.gov/windport/about/pdf/NJWPTechnicalInformationPackage.pdf	During early planning of the Project, the Authority considered physical climate risk of extreme weather events (such as hurricanes), sea level rise, and erosion. All manufacturing structures will be built, at minimum, five feet above base flood elevations. The Project follows the climate information from the Federal Emergency Management Agency (“FEMA”) 100-year flood elevation maps.

Adaptation & Resilience Checklist - Section 2: The Issuer understands the improvements and impacts in the larger context (spatially and temporally) beyond the asset/ site. (i.e. the impacts of their own assets and activities on the broader ecosystem and stakeholders in that ecosystem)			
(To be completed for all Marine Renewable Energy assets)			
		Proof given	Overall Assessment (Comments)
2.1	Processes are in place (as part of both the asset design, ongoing operation and decommissioning) to assess the improvements and impacts the asset has on the resilience of other stakeholders	Various permits and regulations. See Appendix C.	The Authority has followed a rigorous permitting process that ensures the resilience of the Port and mitigates impact on surrounding communities and ecosystems.

Adaptation & Resilience Checklist - Section 3: The Issuer has designed and implemented strategies to mitigate and adapt to these climate risks and vulnerabilities

(To be completed for all Marine Renewable Energy assets)

		Proof given	Overall Assessment (Comments)
3.1	An adaptation plan has been designed and is being implemented to address the risks identified in assessments outlined above	New Jersey Wind Port-Technical Information for Offshore Wind Developers and Component Manufacturers: https://nj.gov/windport/about/pdf/NJWPTechnicalInformationPackage.pdf New Jersey Energy Master Plan: https://nj.gov/emp/docs/pdf/2020_NJBPU_EMP.pdf	The Authority's concept design plan incorporated in the New Jersey Wind Port-Technical Information for Offshore Wind Developers and Component Manufacturers document addresses flood risks and outlines operations and management strategies for the Port. Additionally, the New Jersey Energy Master Plan outlines statewide climate change adaptation plans and decarbonizing goals, such as reaching 50% clean energy by 2030 and 100% clean energy by 2050.
3.2	Inspections are carried out regularly and there is a maintenance regime in place for future inspections with evidence that this is adhered to	New Jersey Wind Port-Technical Information for Offshore Wind Developers and Component Manufacturers: https://nj.gov/windport/about/pdf/NJWPTechnicalInformationPackage.pdf	The Authority will be responsible for overall Port operations and management including maintenance of core assets and maintenance of dredging to preserve the channel and berths.

Adaptation & Resilience Checklist - Section 4: Issuer is pursuing strategies that promote resilience and adaptation across the area in which it operates and beyond

(To be completed for all Marine Renewable Energy assets)

		Proof given	Overall Assessment (Comments)
4.1	Issuer is involved in stakeholder engagement and collaboration (e.g. policy development, consultation, collaboration and active engagement with other marine users)	New Jersey Offshore Wind Strategic Plan: https://www.nj.gov/bpu/pdf/Draft_NJ_OWSP_7-13-20_highres.pdf	The Authority engages with townships, nonprofits, and local organizations to involve the community throughout project development. The New Jersey Offshore Wind Strategic Plan discusses the scientific studies, state agency input, industry expertise, and stakeholder input to move New Jersey's offshore wind goals forward, including development of the Port. Additionally, the Project includes development of stormwater filtration systems for parcel buildings, stormwater reuse for on-site non-potable water, and reuse of dredge materials in coordination with other agencies such as the New Jersey Department of Transportation.

Adaptation & Resilience Checklist - Section 5: Issuer is delivering positive impacts (or no harm) in terms of key sustainability indicators

(To be completed for all Marine Renewable Energy assets)

		Proof given	Overall Assessment (Comments)
5.1	The asset or project does not put in jeopardy endangered or at-risk species or habitats or unduly impact ecosystem services. Where there are possible negative impacts to habitats, species, biodiversity, or ecosystem services, mitigation measures are implemented to offset the negative impacts	Ocean Wind 1 Offshore Wind Farm Environmental Impact Statement: https://www.boem.gov/sites/default/files/documents/renewable-energy/state-activities/OceanWind1-DEIS-Vol1.pdf	The Authority has undergone rigorous environmental review processes and has upheld a strict developmental framework for the Port to minimize potentially harmful impacts on marine ecosystems and conditions. The Authority must follow environmental laws and restrictions related to dredging, such as implementing rigorous observation, training, and reporting processes for dredging crews to mitigate impacts on Atlantic sturgeon. Additionally, the Offshore Wind Environmental Impact Statement addresses mitigation measures the Port must follow.

Adaptation & Resilience Checklist - Section 5: Issuer is delivering positive impacts (or no harm) in terms of key sustainability indicators

(To be completed for all Marine Renewable Energy assets)

		Proof given	Overall Assessment (Comments)
5.2	Waste is responsibly dealt with, including appropriate disposal of construction waste and oil based lubricants, including recycling options where possible. Also, reuse or recycling where possible of equipment after decommissioning	Various permits and regulations. See Appendix C.	The Authority reuses dredge materials (such as concrete) in coordination with other agencies such as the New Jersey Department of Transportation.
5.3	The issuer has recognized and listed the potential risks for accidental site contamination either from leakage of hydraulic fluid (or any other potential pollutant) or from wreckage/debris on the sea bed. Demonstrable steps have been taken to minimize these risks and plans have been made for clean-up should a site contamination event occur	N/A	N/A for the Port
5.4	Decommissioning of the plant is planned in a way that considers the environmental impacts	New Jersey Offshore Wind Strategic Plan: https://www.nj.gov/bpu/pdf/Draft_NJ_OWSP_7-13-20_highres.pdf	The Offshore Wind Strategic Plan describes decommissioning related offshore wind projects and addresses environmental impacts.
5.5	Issuer has plans and processes in place to effectively manage and minimize conflict with other users of the marine and coastal space	New Jersey Wind Port-Technical Information for Offshore Wind Developers and Component Manufacturers: https://nj.gov/windport/about/pdf/NJWPTechnicalInformationPackage.pdf	The Authority signed a land lease with PSEG for the New Jersey Wind Port. The Project was chosen after a 22-month feasibility analysis by the New Jersey Board of Public Utilities and Interagency Taskforce on Offshore Wind (of which the Authority is a member). The site has no overhead restrictions, is far from residential areas, and is close to wind farm lease areas, which will allow it to meet the industry's long-term needs.

Appendix E.

UN SDG TARGET DEFINITIONS

Target 7.1

By 2030, ensure universal access to affordable, reliable and modern energy services

Target 7.2

By 2030, increase substantially the share of renewable energy in the global energy mix

Target 8.2

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors

Target 9.1

Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Target 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Target 11.6

By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

Target 13.2

Integrate climate change measures into national policies, strategies and planning

